Strathclyde Pension Fund

Annual report on the 2011/12 audit

Prepared for Glasgow City Council as administering body for Strathclyde Pension Fund and the Controller of Audit

October 2012

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Key messages

2011/12 audit findings

We have given an unqualified opinion that the financial statements give a true and fair view of the financial transactions of the fund during the year ended 31 March 2012 and of the amount and disposition at that date of its assets and liabilities.

During 2011/12 we reviewed the key strategic and financial risks faced by Strathclyde Pension Fund (the fund). Our audit work included both Fund No. 1 and Fund No. 3. We audited the financial statements and reviewed aspects of governance, use of resources and performance. This report sets out our main findings, summarising key outcomes from the 2011/12 audit and the outlook for the period ahead.

The most recent triennial funding valuation was carried out by the scheme actuaries as at March 2011. For Fund No. 1, the report valued assets at £11,322 million and its liabilities at £11,642 million, a funding position of 97.3%. This represents an improved position from the previous triennial valuation which reported a funding position of 95.1%.

The triennial funding valuation for Fund No. 3 as at March 2011 valued assets at £128 million and its liabilities at £143 million, a funding position of 89%. This represents a slight improvement from the previous triennial valuation which reported a funding position of 88%.

The triennial valuation determines employer contribution rates required over the next three year period. Based on the March 2011 funding level, the actuary has calculated a common employer contribution rate for the period 2012-2015 of 19.3%. This rate means that for most participating employers, including all councils, there is no increase in contribution rates for the period 2012-2015.

An intervaluation assessment for Fund No.1 as at March 2012, which has no immediate impact on employer contribution rates, reports a reduced funding level of 80.7%. A key driver of the reduction in the funding level is the reduced gilt yield consequent of the Bank of England's programme of quantitative easing. For Fund No.3, the intervaluation assessment as at March 2012 reports a slightly reduced funding level of 81%.

During 2011/12 No. 1 Fund achieved an annual return of 1.1% against its scheme specific benchmark of 1.8% while No 3. Fund achieved an annual return of 10.1% against its scheme specific benchmark of 2.3%. Management completed a review of investment strategy and structure in March 2012. With the approval of the Strathclyde Pension Fund Committee, the new strategy was implemented in July 2012.

Administration performance has been strong in 2011/12 despite a number of challenges with reductions in staff levels and a significant increase in overall workload caused by early retirement schemes across the fund's participating employers. However, Strathclyde Pension Fund Office need to continue to encourage employers to improve in some areas including supply of compliance certificates, year end data returns and employer responses to Strathclyde Pension Fund Office queries.

Outlook

It is clear that these are challenging times for pension fund management.

With the global economic outlook and increased levels of volatility in the financial markets there are particular problems for investment management and strategy. With investment performance key to the funding position of the Local Government Pension Scheme this may impact on employer contributions in the medium term.

It is against this backdrop, and at a time of continued austerity in the public sector, that the new Public Service Pensions Bill has been published. The bill signals more changes ahead for the LGPS, with some changes aimed at reducing costs, and others at setting a common legislative framework and improving governance arrangements.

Proposed changes to the Local Government Pension Scheme will impact on administrative workloads going forward as will any further severance programmes by employers. In addition, the requirement for auto enrolment comes into force, through a series of staging dates, for some employers in 2012/13 and this will also affect information requirements and administration arrangements.

Introduction

1. This report is the summary of our findings arising from the 2011/12 audit of Strathclyde Pension Fund. The fund comprises No. 1 Fund and No. 3 Fund; together are referred to as 'the fund'. The purpose of the annual audit report is to set out concisely the scope, nature and extent of the audit, to summarise the auditor's opinions on the financial statements and conclusions on any significant issues arising. The report is divided into sections which reflect the public sector audit model.

2. Appendix A provides details of our reports issued during 2011/12. We do not repeat all of the findings in this report, but instead focus on the financial statements and any significant findings from our wider review of the fund.

3. Appendix B is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that those charged with governance understand and have arrangements in place to manage risks. The administering authority should ensure that those charged with governance are satisfied with the proposed management action and have a mechanism in place to assess progress.

4. This report is addressed to Glasgow City Council, as administering body for Strathclyde Pension Fund, and the Controller of Audit. It should be made available to the public and other stakeholders. Audit is an essential element of accountability and the process of public reporting. This report will be published on our website after consideration by those charged with governance.

5. The management of an audited body is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

6. The co-operation and assistance given to us by officers and staff within Financial Services with responsibility for the Pension Fund, is gratefully acknowledged.

Financial statements

7. Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources.

8. Auditors are required to audit financial statements in accordance with the timescales set by Audit Scotland, which may be shorter than statutory requirements, and give an opinion on:
   - whether they give a true and fair view of the financial transactions of the fund during the year ended 31 March 2012 and of the amount and disposition at that date of its assets and liabilities
   - whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements.

9. Auditors review and report on, as appropriate, other information published with the financial statements, including the foreword and governance compliance statement. This section summarises the results of our audit on the financial statements.

Audit opinion

10. We have given an unqualified opinion that the financial statements give a true and fair view of the financial transactions of the fund during the year ended 31 March 2012 and of the amount and disposition at that date of its assets and liabilities.

Legality

11. Through our planned audit work we consider the legality of the pension fund's financial transactions. In addition the Executive Director of Financial Services has confirmed that, to the best of her knowledge and belief, the financial transactions of the pension fund are in accordance with relevant legislation and regulations. There are no legality issues arising from our audit which require to be brought to the attention of those charged with governance.

Governance compliance statement

12. We are satisfied that this statement covers the areas and levels of compliance required by the Scottish Government's guidance.

Annual Report

13. The Scottish Government Guidance requires that the annual report for the pension fund incorporates the following:
   - the financial statements
   - a report about the management and financial performance of the funds during the year, a report explaining the authority's investment policy and reviewing the performance during the year of the investments of each fund, and a report of the arrangements made during the year for the administration of the funds

- a statement by the actuary of the level of funding disclosed by their valuation
- the governance compliance statement, funding strategy statement, and statement of investment principles (or details of where these statements may be obtained)
- the extent to which levels of performance set out in the pension administration strategy have been achieved
- any other material which the authority considers appropriate.

14. We are satisfied that the report incorporates the above sections and that the other sections are consistent with the audited accounts.

Accounting issues

15. Local authority bodies in Scotland are required to follow the 2011/12 Code of Practice on Local Authority Accounting in the United Kingdom (the 2011/12 Code). Further guidance was issued for 2011/12, requiring more detailed disclosure in the annual accounts. We are satisfied that the financial statements have been prepared in accordance with the 2011/12 Code.

Accounts submission

16. The fund's unaudited financial statements were submitted to the Controller of Audit by the deadline of 30 June 2012. However, a working papers package was not provided with the financial statements. Looking forward to next year, it is important that a full set of working papers is provided with the financial statements to ensure efficient use of officer and audit time. Notwithstanding this, officers were prompt in responding to queries which enabled us to conclude the audit and certify the financial statements by the target date of 30 September 2012.

Refer Action Plan no. 1

Presentational and monetary adjustments to the unaudited accounts

17. All errors, which were mainly of a presentational nature, identified during the audit were amended in the financial statements and there were no unadjusted misstatements to bring to your attention.

Financial position

18. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.

19. Auditors consider whether audited bodies have established adequate arrangements and examine:

    - financial performance in the period under audit
    - compliance with any statutory financial requirements and financial targets
    - ability to meet known or contingent, statutory and other financial obligations
    - responses to developments which may have an impact on the financial position
    - financial plans for future periods.

20. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the fund.

Financial results

Budgetary control

21. The fund prepares an annual budget for its administration costs and monitoring reports are presented to committee on a quarterly basis. Total net budgeted expenditure for 2011/12 was £4.2 million. An underspend of £0.3 million was reported at the year end.

22. Cash flow monitoring reports are prepared monthly to ensure that sufficient cash balances are held to meet on-going pension commitments, and that any excess balances are passed periodically to the fund’s investment portfolios. These cash flow reports are also presented quarterly to committee. During 2011/12 excess cash balances of £42 million were transferred to the fund's global custodian for investment.

Funding position

23. The result of the triennial valuation of the funds as at 31 March 2011 was reported in April 2012.

24. The movement since the last triennial valuation as at 31 March 2008 is detailed in Table 1:

Table 1: Movement between triennial valuations

	No 1 Fund		No 3 Fund	
	2011 **£'m**	**2008** **£'m**	**2011** **£'m**	**2008** **£'m**
Assets	11,322	9,493	128	103
Liabilities	(11,642)	(9,979)	(143)	(117)
Net Liability	(320)	(486)	(16)	(14)
Funding Level	97%	95%	89%	88%

25. The triennial valuation determines employer contribution rates required over the next three year period. Based on the March 2011 funding level, the actuary has calculated a common employer contribution rate for the period 2012-2015 of 19.3%. This rate means that for most participating employers, including all councils, there is no increase in contribution rates for the period 2012-2015.

26. Investment returns for the three years to 31 March 2011 were lower than anticipated; this had an adverse impact on the fund position. Overall, the improvement in the net funding position since the previous valuation is largely the result of the move from Retail Prices Index (RPI) to Consumer Prices Index (CPI) which has limited the increase in the pension liabilities

27. An intervaluation assessment for Fund No.1 as at March 2012, which has no impact on employer contribution rates, reports a reduced funding level of 80.7%. A key driver of the reduction in the funding level is the reduced gilt yield consequent of the Bank of England's programme of quantitative easing. For Fund No.3, the intervaluation assessment as at March 2012 reports a slightly reduced funding level of 81%.

28. The liability on each fund is an estimate of the present value of the future liabilities of the funds, based on the actuary's assumptions regarding future discount rates, longevity of members and rate of inflation.

29. In 2011/12, for the first time, Fund No.1 moved to a position where the valuation of liabilities attributable to pensioners and deferred members is greater than those attached to contributing members. This has largely been a consequence of the reduction in the workforce of participating employers over the past few years.

Refer Action Plan no. 2

Outlook

30. Looking ahead the outlook for public spending remains very challenging as significant budget reductions are required in future years. Spending constraints are set to continue and

pressures on the fund will increase as scheduled and admitted bodies seek to deliver efficiencies through reductions in staffing levels.

31. An analysis of fund membership shows that there is an emerging trend of a reduced number of active members and increasing numbers of pensioners and deferred members. If this continues it may have an adverse impact on the pension fund in terms of cash flows, employers' contribution rates and the investment strategy. The impact of reduced membership levels will need to be kept under review if the fund is to remain sustainable into the future.

Governance and accountability

32. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.

33. Through its chief executive or accountable officer, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance (including audit committees or similar groups) in monitoring these arrangements.

34. Consistent with the wider scope of public audit, auditors have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:
    - corporate governance and systems of internal control
    - the prevention and detection of fraud and irregularity
    - standards of conduct and arrangements for the prevention and detection of bribery and corruption.

35. In this part of the report we comment on key areas of governance.

Corporate governance

Processes and committees

36. As the administering authority, Glasgow City Council has statutory responsibility for the administration of the fund. Its functions are carried out in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998 and the Superannuation Act 1972.

37. Responsibility for the overall strategic direction of the fund is delegated by the council to the Strathclyde Pension Fund Committee (the committee) which is comprised of elected members of the council. The composition of the committee changed following the local government elections. Day to day administration of the fund is carried out by the Strathclyde Pension Fund Office (SPFO) which is a division of the council's financial services department.

38. The committee meets quarterly to consider reports on the performance of investments, the investment approach of individual fund managers and changes in the portfolio of fund managers. The committee's membership consists of experienced senior councillors and meetings are generally well attended.

39. The Representative Forum is the main mechanism for engagement with the fund's stakeholders and enables their involvement in the decision-making process. The forum meets quarterly on the same cycle as the committee. A review of the composition of the

Representative Forum has recently been carried out and revised arrangements implemented based on the statistics in the triennial valuation. Therefore Forum membership forms a broadly representative cross-section of the fund's stakeholders.

40. Given the complex nature of pensions and investments, it is important that the committee receive continuous training and support to enable effective scrutiny. There are likely to be many legislative and regulatory changes over the coming years, so it is essential that members receive sufficient training to keep them up to date with current events. This is particularly important for those members who are new to the committee as a result of the Scottish local government elections in May 2012.

Internal control

41. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.

42. The fund's financial systems run alongside those of the administering authority and its financial ledger and payroll system are used to process transactions. There are specific systems and lines of responsibility for pension administration and for investment transactions.

43. As part of our work, we took assurance from key controls within the fund's systems, with some controls being tested by internal audit. The results of our review were reported to the committee in September 2012.

44. No significant control weaknesses were identified during this work. However, a small number of points were noted for management to action. In particular, a point was raised regarding the variations in the nature of the information given to members on which to base decisions about investments from the New Opportunities Portfolio. Specifically, the existence of the 80% guarantee granted by Glasgow City Council in respect of the £35 million loan to City Legacy Ltd was not formally reported to the Strathclyde Pension Fund Committee although it was reported to the elected member Investment Working Group.

45. In addition, we reported that members of the Pension Fund Committee do not consider an annual programme of internal audit work or a year end statement of assurance on the effectiveness of the system of internal control. As 2011/12 is only the second year of the separate financial reporting and auditing arrangements for local government pension funds, assurances on the effectiveness of the systems of internal control have been included as part of the financial statements of Glasgow City Council.

46. Our report includes an action plan which was completed by management in response to the risks identified. We will continue to monitor the action plan as part of the 2012/13 audit.

Prevention and detection of fraud and irregularities

47. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.

48. Glasgow City Council is the administering authority for the fund. The fund complies with the relevant policies of Glasgow City Council and these have been reviewed as part of the council-wide audit. We are not aware of any specific issues relating to this aspect of the audit that we need to identify in this report.

49. These arrangements include a whistleblowing and response policy. This is re-launched every 2-3 years to enhance awareness of the policy and to ensure that it accurately reflects the arrangements in place.

NFI in Scotland

50. Audit Scotland has coordinated another major counter-fraud exercise working together with a range of Scottish public bodies, external auditors and the Audit Commission to identify fraud and error. These exercises, known as the National Fraud Initiative in Scotland (NFI), are undertaken every two years as part of the statutory audits of the participating bodies. The latest exercise started in October 2010 and was reported upon in May 2012.

51. The next round of NFI commenced in June 2012, with an expanded range of data sets and bodies. The fund will submit data in the autumn of 2012; it is anticipated that data matches arising from the exercise will be issued early in 2013.

52. The NFI works by using data matching to compare a range of information held on bodies' systems to identify potential inconsistencies or circumstances that could indicate fraud or error which are called 'matches'. Where matches are identified these are made available to bodies to investigate via a secure web application. Bodies investigate these and record appropriate outcomes based on their investigations.

53. As part of our local audit work we monitor the council's approach to participation in NFI both in terms of the submission of the required datasets and strategies for investigating the subsequent data matches. One member of the Investments and Pensions division works with the Corporate Services division to identify cases from matching reports. These cases are people who are in receipt of pension but also appear on DWP and registrars' records as being deceased, or who appear on another payroll system. As a result of the fund's participation in the NFI 2010/11 matching exercise some £1.5 million was identified as payments having been made either through fraud or error.

Standards of conduct and arrangements for the prevention/ detection of bribery and corruption

54. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. We have concluded that the arrangements in Strathclyde Pension Fund are satisfactory and we are not aware of any specific issues that we need to identify in this report.

Pension reform agenda

55. A number of measures will be introduced in 2012/13 as part of the Pensions Act 2011. This act is part of the legislation passed by government aimed at reforming workplace pensions and encouraging individuals to save for their retirement. One key provision of the act is auto enrolment. The requirement is that all employers must make arrangements to ensure that their eligible jobholders become active members of a pension scheme from an auto enrolment staging date.

56. Auto enrolment will be introduced through a series of staging dates. Most of the main employers' staging dates are before the end of July 2013.

57. Prior to this requirement being implemented, the fund has conducted a review to assess employers' preparations for the introduction of auto enrolment. It was found that good progress has been made but a substantial amount of work is still needed by employers to assess their workforce prior to their staging date.

Outlook

58. The future shape of Local Government Pension Scheme in Scotland remains uncertain. However, it is likely that proposed changes will impact on administrative workloads going forward. We will continue to monitor the administering authority's arrangements in preparing for these changes and any potential risks that arise.

Best Value, use of resources and performance

59. Audited bodies have a specific responsibility to ensure that arrangements have been made to secure Best Value.

60. Auditors of local government bodies also have a responsibility to review and report on the arrangements that specified audited bodies have made to prepare and publish performance information in accordance with directions issued by the Accounts Commission.

61. As part of their statutory responsibilities, the Accounts Commission may procure, through Audit Scotland, examinations of the use of resources by audited bodies and publish reports or guidance. Auditors may be requested from time to time to participate in:

- a performance audit which may result in the publication of a national report
- an examination of the implications of a particular topic or performance audit for an audited body at local level
- a review of a body's response to national recommendations.

62. Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments.

63. During the course of their audit appointment auditors should also consider and report on progress made by audited bodies in implementing the recommendations arising from reviews in earlier years.

64. This section includes a commentary on the Best Value and performance management arrangements within the pension fund. We also note any headline performance outcomes and measures used by the members and comment on any relevant national reports and the body's response to these.

Management arrangements

Best Value

65. The pension fund has not been subject to a Best Value review. However it is covered by the overall Best Value arrangements of the administering authority. A Best Value audit of Glasgow City Council has currently been scheduled for 2013/14 in the Assurance and Improvement Plan.

Investment Performance

66. Investment advice and support is provided to the fund by its Investment Advisory Panel (IAP) which is comprised of investment advisers, actuarial consultants and senior officers. The role

of the IAP includes development of the investment strategy and the monitoring of performance of the fund's investments.

67. Actual performance against benchmark targets is reported to the pension fund committee and the IAP on a quarterly basis. During the year fund managers are required to present to the panel on their performance. At the year end, an annual report on overall performance is produced and reported to committee.

68. Investment management fees in 2011/12 for Fund No. 1 were £12.7 million and for Fund No. 3 were £31k. These fees are broadly based on the market value of the investments under their management which results in an increase or decrease as the value of investments change.

Administration Performance

69. The fund's administration strategy for 2011/12 was approved by committee in March 2011. It contains the standards which are required of the participating employers to ensure that the fund meets its statutory obligations and is able to deliver services efficiently. The strategy contains a variety of performance measures against which the fund and the participating employers are assessed. Performance is reported to committee on a quarterly basis.

70. In accordance with Regulation 60A of the LGPS (Administration) (Scotland) Regulations 2008, the fund's annual report discloses performance against the measures detailed in the administration strategy.

Overview of performance in 2011/12

The fund's performance measurement outcomes

71. Investment performance was mixed during 2011/12 with Fund No.1 under performing and Fund No. 3 performing well.

Fund No. 1

72. During 2011/12 the fund achieved an annual return of 1.1% against its scheme specific benchmark of 1.8%. This benchmark is one that is internally derived and set by Strathclyde Pension Fund at the beginning of the year. This underperformance has resulted in the main from poor returns on the fund's property portfolio and underperformance from a number of individual mangers. Of the fund's 17 investment managers, 10 underperformed against the benchmarks applied to them.

73. The fund achieved a 10 year annualised return of 5.8% which is below the benchmark of 6.2% but marginally above the actuarial assumed rate of return of 5.7%.

Fund No. 3

74. During 2011/12 the fund achieved an annual return of 10.1% against its scheme specific benchmark of 2.3%. All managers outperformed their respective benchmarks.

75. The fund achieved a 10 year annualised return of 8.2% which is above the benchmark of 6.3%.

76. Management completed a review of investment strategy and structure in March 2012. With the approval on the SPF Committee, the new strategy was implemented in July 2012. Changes included the termination of several under-performing mandates, the award of new mandates, an increase in specialist mandates with previous good performance and a shift in balance between passive and active management. It is also anticipated that changes previously implemented, such as new property management arrangements, will now start to produce results after a lengthy period of portfolio restructuring.

Refer Action Plan no. 3

Administration performance

77. Administration performance has improved overall in 2011/12 despite a number of challenges including reductions in staff levels and the significant increase in workload caused by early retirement schemes across the fund's participating employers.

78. Performance has improved in a number of areas including customer satisfaction levels for joiners and refunds, and the exception rate for missing records. Areas where SPFO need to encourage employers to meet performance targets include the supply of compliance certificates, year end data returns and employer responses to SPFO queries.

79. Employers are required to submit compliance certificates verifying compliance with a range of SPFO and regulatory requirements in relation to pension administration and therefore provide assurance on governance arrangements. As at 31 March 2012, 74% of certificates had been submitted. This is a poorer response rate than 2010/11 where 80% of certificates were received by 31 March 2011. By September 2012 this had increased slightly to 77%.

80. Employers are also required to submit year end contribution returns, which is a key control over contributions, by 20 May for the preceding 31 March year end. By 21 May 2012, approximately 54% of returns had been received. By August 2012, 94% of returns had been received from employers.

81. Officers will continue to encourage employers to assist in the efficient running of the fund through compliance with the Administration Strategy.

Refer Action Plan no. 4

National performance reports

82. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Reports in the last year which may be of interest to members and officers are detailed in Table 2.

Table 2: A selection of National performance reports 2011/12

• An overview of local government in Scotland - challenges and change in 2012	• The National Fraud Initiative in Scotland • Managing performance: are you getting it right?

Source: www.audit-scotland.gov.uk

83. We suggest that officers and members review national performance reports as they become available and consider any findings which may have relevance to the pension fund.

Outlook

84. The European sovereign debt crisis remains a key area of uncertainty and until the position is stabilised and confidence restored, markets will remain volatile. Markets also suffered from concerns about the sustainability of the global economic recovery during 2011/12. Recent figures from both developed and developing economies have been unfavourable and given the austerity measures that have been introduced in some countries and fears that rising inflationary pressures will result in higher interest rates, the outlook, at least in the short term remains uncertain.

Appendix A: audit reports

External audit reports and audit opinions issued for 2011/12

Title of report or opinion	Date of issue	Date presented to SPF Committee
Annual Audit Plan	15 February 2012	7 March 2012
Review of the Internal control system and governance	17 August 2012	3 September 2012
Report on financial statements to those charged with governance	20 September 2012	25 September 2012
Audit opinion on the 2011/12 financial statements	26 September 2012	25 September 2012
Report to Members on the 2011/12 audit	31 October 2012	3 December 2012

Appendix B: action plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	16	**Working Papers** Delays were experienced in receiving working papers to support the financial statements. **Risk:** the target certification date may not be met.	A full set of working papers will be provided with the 2012/13 financial statements on submission.	Paul Murphy	30th June 2013
2	29	**Fund Profile** The valuation of liabilities attributable to pensioners and deferred members is greater than those attached to contributing members. **Risk:** the fund will become increasingly reliant on investment returns to pay pension benefits.	Development of medium-term cash flow forecasting capabilities is listed as a priority in the Fund's 2012/13 Business Plan. A de-risking strategy was agreed by the SPF Committee in March 2012. Over time this will more closely align the fund's assets with its liabilities.	Paul Murphy Jacqueline Gillies	31st March 2013
3	78	**Investment Performance** Fund No. 1 has continued to underperform against its benchmark for 2011/12. **Risk:** continued underperformance will affect the fund's ability to meet its liabilities.	A comprehensive review of investment strategy and structure was completed in March 2012 with changes implemented during July 2012.	Jacqueline Gillies	30th September 2012

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
4	83	**Administration Performance** Not all compliance certificates were returned by employers to SPFO on a timely basis. **Risk:** without timely receipt of those returns there is a risk that the systems of internal control are undermined.	Officers will continue to pursue returns from employers.	Nicola Smith	31st March 2013