

Tayside Pension Fund

2021/22 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the members of the Pension Sub-Committee and the Controller of Audit

18 October 2022

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Key messages

2021/22 annual report and accounts/financial statements

- 1 Tayside Pension Fund's financial statements give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2022 and of the amount and disposition at that date of its assets and liabilities.
- 2 The management commentary, annual governance statement and governance compliance statement were all consistent with the financial statements and properly prepared in accordance with accounting regulations.

Financial management

- 3 The Fund has effective financial management arrangements in place. This includes comprehensive reporting of investment performance.
- 4 The Fund pays out more than it collects annually from fund members, with investment returns making up the difference. The value of the Fund increased by 5 per cent to £5.1 billion during 2021/22, but investment performance was below the benchmark return set for the year.
- 5 The global impact of the pandemic and the conflict in Ukraine has significantly increased market volatility, and there is a risk that there will be further fluctuations in the Fund value in future years, as the long-term impact of these events becomes clearer.

Financial sustainability

- 6 The actuary's interim valuation at 31 March 2022 estimated that there is sufficient volatility reserve to maintain the funding level at 109 per cent, which is consistent with the funding position reported in the last triennial valuation.
- 7 In September 2021 the Sub-Committee approved changes that will reduce the value of the payments due in respect of cessation liabilities from exiting employers, with remaining employers covering the reduction, but will also limit the risk of exiting employers defaulting on the cessation liabilities payments.
- 8 Given the funding level, and the healthy net asset position at 31 March 2022, we currently have no concerns about the financial sustainability of the Fund or the viability of the funding strategy.

Governance and transparency

- 9 The Fund has adequate arrangements in place to support good governance and accountability, and scrutiny of decision-making.
- 10 The administering authority has arranged a member training plan for 2022/23 to assist new members of the sub-committee in discharging their fiduciary duty.
- 11 The Fund conducts its business in an open and transparent manner and has appropriate arrangements in place to prevent and detect fraud and corruption, and to ensure compliance with the Pensions Regulator Public Service Code.

Best Value

- 12 The Fund has an appropriate best value framework in place which includes effective arrangements for monitoring investment performance and scrutinising investment management.
- 13 2021/22 was a challenging year for Scottish Local Government Pension Schemes. Ten of the eleven funds still reported positive movements in net assets during the year, but only three of those funds, not including Tayside, reported above benchmark returns.
- 14 Performance of the Fund's individual investment managers over the last 12 months was worse than targeted with only two of eight investment portfolios performing above benchmark. However, longer-term investment performance shows above benchmark returns for the Fund over the last five and ten years despite below benchmark performance over the last 12 months.
- 15 The time taken to administer pension cases has increased significantly this year. This is due to the increased complexity of cases alongside recruitment and training challenges with staff.
- 16 Implementing the remedy to fix unlawful discrimination in public service pension schemes will place a significant additional administrative burden on all Scottish Local Government Pension Schemes. The Fund has developed an outline project plan and proposed timetable for implementing the remedy and is recruiting additional staff to assist in delivering against this.
- 17 The roll-out of the i-Connect system and the Member Self Service online portal reduced the level of manual processing during 2021/22 and has the potential to deliver even greater efficiencies in the future.

Introduction

Scope of our audit

1. This report is a summary of our findings arising from the 2021/22 audit of Tayside Pension Fund (the Fund). The scope of our audit was set out in our Annual Audit Plan presented to the March 2022 meeting of the Pension Sub-Committee. This report comprises the findings from:

- a review of the Fund's main financial systems
- the audit of the Fund's 2021/22 annual report and accounts
- our consideration of the financial management, financial sustainability, governance and transparency, and value for money arrangements, that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#).

Continuing impact of Covid-19

2. As highlighted in our Annual Audit Plan, in common with all public bodies, the Fund continues to deal with the operational and financial impact of the Covid-19 pandemic. Known risks related to the pandemic were included in our plan, and we have adapted our audit work during the year to address any new risks that have emerged.

Adding value through the audit

3. We aim to add value to the Fund and help promote improved standards of governance, better management and decision-making and more effective use of resources, by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements that have been accepted by management
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability
- reporting our findings and conclusions in public
- sharing intelligence and good practice through our national reports and briefing papers, [Appendix 2](#).

Auditor independence

4. Auditors appointed by the Accounts Commission must comply with the [Code of Audit Practice 2016](#) and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

5. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2021/22 audit fee of £26,980, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

Responsibilities

6. Dundee City Council is the administering authority for the Tayside Pension Fund. The council delegates this responsibility to the Pension Sub-Committee. The Sub-Committee is responsible for establishing effective governance arrangements and ensuring that financial management is effective. The Sub-Committee is also required to review the effectiveness of internal control arrangements and approve the annual report and accounts.

7. Our responsibilities as independent auditors are established by the Local Government (Scotland) Act 1973, the [Code of Audit Practice 2016](#), International Standards on Auditing in the UK, and supplementary guidance.

8. As public sector auditors we give independent opinions on the annual accounts. We also review and provide conclusions on the effectiveness of the Fund's performance management arrangements, suitability and effectiveness of corporate governance arrangements, its financial position, and arrangements for securing financial sustainability.

9. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#).

Audit reporting

10. This report raises matters from the audit of the annual accounts and consideration of the audit dimensions. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

11. An agreed action plan setting out specific recommendations, responsible officers and dates for implementation is included at [Appendix 1](#).

12. This report is addressed to both the members of the Pension Sub-Committee and the Controller of Audit and will be published on Audit Scotland's website: www.audit-scotland.gov.uk.

External audit appointment for 2022/23 to 2026/27

13. The Accounts Commission is responsible for the appointment of external auditors for local government bodies. External auditors are appointed from either Audit Scotland's Audit Services Group or private firms of accountants. The financial year 2021/22 is the last year of the current audit appointment round.

14. The procurement process for the new round of audit appointments covering 2022/23 to 2026/27 was completed in May 2022 and Audit Scotland has again been appointed as the external auditor for Tayside Pension Fund. Although Audit Scotland remain the board's external auditors, to maintain the independence and objectivity of the audit team, the engagement lead and other staff working on the audit will be changed for the 2022/23 audit. The outgoing audit team will work with officers and the new audit team to ensure a smooth transition.

15. The new auditors will follow a new Code of Audit Practice which applies to public sector audits for financial years starting on or after 1 April 2022. It replaces the Code issued in May 2016.

Acknowledgement

16. The audit team would like to thank all management and staff of Tayside Pension Fund for their cooperation and assistance over the period of the audit appointment.

1. Audit of 2021/22 annual report and accounts

The annual report and accounts are the principal means of an organisation accounting for the stewardship of resources and its performance in using those resources

Main judgements

Tayside Pension Fund's financial statements give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2022 and of the amount and disposition at that date of its assets and liabilities.

The management commentary, annual governance statement and governance compliance statement were all consistent with the financial statements and properly prepared in accordance with accounting regulations.

Our audit opinions on the annual report and accounts are unmodified

17. The annual report and accounts for the year ended 31 March 2022 were approved by the Pension Fund Sub-Committee on 17 October 2022, and certified by the appointed auditor on 18 October 2022. We reported, within the independent auditor's report that:

- the financial statements give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2022 and of the amount and disposition at that date of its assets and liabilities
- the management commentary, annual governance statement and governance compliance statement were all consistent with the financial statements and properly prepared in accordance with relevant guidance.

The audit of the 2021/22 annual report and accounts was completed in line with the original timetable

18. We received the unaudited annual report and accounts on 27 June 2022 in line with the agreed timetable. The accounts and working papers presented for audit were complete and finance staff provided excellent support to the audit team which helped ensure our audit was completed in line with the original timetable.

The inspection notice was placed in accordance with the required regulations and no objections were raised to the 2021/22 annual report and accounts

19. Regulation 9 of the [Local Authority Accounts \(Scotland\) Regulations 2014](#) requires a local authority to give public notice on its website by 17 June (at the

latest) of the right to inspect its annual report and accounts. The specified date should be at least 14 days after the notice is published, but cannot be later than 1 July, and the inspection period should last for 15 working days from the date specified in the notice. As part of our audit we confirmed that the 2021/22 annual report and accounts inspection notice for the Fund, published on the website of the administering authority (Dundee City Council), complied with the regulations.

20. The regulations also require a local authority to give the right of interested persons to inspect and object to its accounts, as provided for by section 101(a) (rights of interested persons to inspect and copy documents and to object to accounts) of the 1973 Act. No objections were raised to the 2021/22 annual accounts.

Our audit approach and testing reflected the calculated materiality levels

21. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the perceptions and decisions of users of the annual accounts. The assessment of what is material is a matter of professional judgement. A misstatement or omission, which would not normally be regarded as material by value, may be important for other reasons (for example, an item contrary to law). In forming our opinion on the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

Exhibit 1 Materiality levels for the 2021/22 audit

Materiality	Amount
Planning materiality: This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set at 1% of net assets.	£50.960 million
Performance materiality: This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this would indicate that further audit procedures should be considered. Using our professional judgement, we have assessed performance materiality at 75% of planning materiality.	£38.220 million
Reporting threshold: We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been capped at £0.250 million as this is the maximum amount allowable under Audit Scotland's audit approach guidance.	£0.250 million

Source: Audit Scotland

22. Our initial assessment of materiality was carried out during the planning phase of the audit and was based on the financial results reported in the 2020/21

audited annual report and accounts. These materiality levels were reported in our Annual Audit Plan presented to the Pension Sub-Committee in March 2022.

23. On receipt of the unaudited 2021/22 annual report and accounts we recalculated our materiality levels based on the financial results for the year ended 31 March 2022. Our audit approach and testing were adapted to reflect the recalculated materiality levels. Our final materiality levels are detailed in [Exhibit 1](#).

Lower specific materiality levels for the 2021/22 audit

24. In addition to overall materiality, we can set lower, specific materiality levels for certain classes of transaction, account balances or disclosures where lesser amounts could influence the decisions of the users of the financial statements. We recognise that transactions (for example, payments to pensioners and income from employers and members) are of importance to the users of the financial statements and we therefore set lower specific materiality levels for these account areas as shown in [Exhibit 2](#).

Exhibit 2

Lower specific materiality levels for the 2021/22 audit – Transactions

Materiality	Amount
Transaction planning materiality: This has been set at 1% of contributions receivable and transfers in for the year.	£1.159 million
Transaction performance materiality: Using our professional judgement, we have calculated transaction performance materiality at 75% of transaction planning materiality.	£0.869 million
Reporting threshold for transactions: This has been calculated at 5% of transaction planning materiality.	£0.055 million

Source: Audit Scotland

Our audit identified and addressed the significant risks of material misstatement

25. [Exhibit 3](#) provides our assessment of the significant risks of material misstatement for the annual report and accounts for the 2021/22 audit. It details the work we undertook to address these risks and our conclusions from this work. We also identified one wider audit dimension risk for this year's audit as part of our responsibilities under the [Code of Audit Practice 2016](#). The audit findings on this risk which related to pension administration capacity is included in this report (paragraphs [100.](#) to [104.](#)) and summarised at [Appendix 2](#). These risks influenced our overall audit strategy and the allocation of staff resources to the audit.

Exhibit 3**Identified significant risk of material misstatement in the financial statements**

Significant risk of material misstatement	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by the management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> • Detailed testing of journal entries, with a focus on significant risk areas, including year-end and post-close down entries. • Detailed testing of accounting estimates, assessing any changes to the methods and underlying assumptions used to prepare these compared to the prior year. • Evaluation of significant transactions that are outside the normal course of business, identified through detailed testing of income and expenditure, accruals and cut off transactions. 	<p>Satisfactory</p> <p>The completion of the assurance procedures did not identify any evidence of management override of controls.</p>

Source: Audit Scotland

26. As part of our assessment of audit risks at the planning stage, we identified two other areas where we considered there was a risk of material misstatement to the financial statements. The valuation of investment assets and the actuarial valuation of future retirement benefits both involve a significant degree of estimation and judgment. We assessed that this subjectivity represented an increased risk of misstatement for the financial statements. While these areas required audit focus, based on our assessment of the likelihood and magnitude of the risk, we did not consider they represented significant risks of material misstatement.

27. We designed audit procedures to address these risks and as part of the financial statements audit we undertook work to:

- Confirm that investment values are correctly reflected within the annual report and accounts, confirm valuations to valuation reports or other supporting documentation, and to review the work of the valuers, including focused substantive testing of the valuation of material assets.
- Confirm that valuation data in the actuarial report is correctly reflected within the annual report and accounts, and to review the work of the actuary, including consideration of the appropriateness of the actuarial assumptions used, with reference to the report produced by the consulting actuary to Audit Scotland.

28. The only issue identified from these audit procedures that we need to bring to the attention of those charged with governance related to the investment assets values (point 2 in in [Exhibit 4.](#)).

We reported the significant findings from the audit to those charged with governance prior to the annual report and accounts being approved and certified

29. International Standard on Auditing (UK) 260 requires us to communicate the significant findings from the audit of the financial statements, including our view about the qualitative aspects of the body's accounting practices, to those charged with governance prior to the annual report and accounts being approved and certified.

30. The significant findings from the 2021/22 financial statements audit are summarised in [Exhibit 4.](#) Our audit also identified some minor presentation and disclosure issues which were discussed with management. These were all adjusted in the audited annual report and accounts and none were significant enough to require to be separately reported under ISA 260.

Exhibit 4

Significant findings from the 2021/22 financial statements audit

Issue	Resolution
<p>1. Additional voluntary contributions disclosure</p> <p>The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 requires pension funds to disclose the amount of additional voluntary contributions (AVCs) paid by members during the year and the value at the Balance Sheet date of separately invested AVCs within a note to the annual report and accounts.</p> <p><i>Note 16. Additional Voluntary Contributions</i> in the annual report and accounts presented for audit included the required information for those members paying AVCs through Standard Life, but did not include this information for those members paying AVCs through Prudential for 2021/22.</p> <p>Management explained that this information was not yet available for 2021/22 and Prudential had advised that it was unlikely to be available prior to the certification date. The late provision of this information from Prudential was also an issue for the 2020/21 annual report and accounts.</p>	<p>Management has confirmed that, as in 2020/21, an addendum to the accounts disclosing the omitted AVC information will be published on the Fund's website once it is provided by Prudential.</p>

Issue	Resolution
<p>2. Investment assets values</p> <p>As part of our financial statements audit we are required to verify the year end investment assets values in the Net Assets Statement to the underlying fund manager reports. This identified differences totalling £7.297 million (i.e. understated in accounts) between the investment assets values.</p> <p>Management has advised that these differences relate to the exact timing of when the fund manager reports were run on the 31 March 2022 and both are valid valuations at that date. Management also highlighted that the overall difference is insignificant in terms of the overall investment assets value of £5.124 billion at 31 March 2022 and there are always minor differences each year due to the timing of the reports.</p>	<p>We have accepted management's explanation and are content that the investment assets value in the audited accounts is not materially misstated. We also note that similar timing differences have been identified in prior years.</p> <p>As the value of the difference exceeds our minimum reporting threshold it has been reported for members' information only.</p>

Source: Audit Scotland

We have no misstatements above our reporting threshold to report

31. It is our responsibility to request that all misstatements above the reporting threshold are corrected. We have no misstatements above our reporting threshold to report from the 2021/22 audit.

2. Financial management

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively

Main judgements

The Fund has effective financial management arrangements in place. This includes comprehensive reporting of investment performance.

The Fund pays out more than it collects annually from fund members, with investment returns making up the difference. The value of the Fund increased by 5 per cent to £5.1 billion during 2021/22, but investment performance was below the benchmark return set for the year.

The global impact of the pandemic and the conflict in Ukraine has significantly increased market volatility, and there is a risk that there will be further fluctuations in the Fund value in future years, as the long-term impact of these events becomes clearer.

The Fund has effective financial management arrangements in place. This includes comprehensive reporting of investment performance.

32. The Executive Director of Corporate Services for Dundee City Council is the Proper Officer responsible for Tayside Pension Fund. The financial regulations of Dundee City Council, as administering authority, apply to the pension fund. We consider these to be comprehensive, and current, and promote good financial management.

33. Investment performance reports are submitted to the Pension Sub-Committee on a quarterly basis. Reports are comprehensive, detailing the performance of fund managers and comparing their performance against specific benchmarks. The reports also include commentaries from each fund manager.

34. Overall, we have concluded that the Fund has effective financial management arrangements in place and that these operated as expected during 2021/22.

Financial systems of internal control operated effectively during 2021/22

35. As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant to produce the financial

statements. Our objective is to gain assurance that Tayside Pension Fund has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

36. Our work in 2021/22 covered the key controls over the systems used for pension administration activity and the pension fund's investments. The Fund also uses the financial systems of the administering authority, Dundee City Council. The main council systems used by the Fund are the general ledger system and the payroll system. Our review of the controls in operation within these systems was conducted as part of our audit of Dundee City Council.

37. Our review of the systems used by the Fund and the administering authority did not identify any significant control weaknesses which could affect the Fund's ability to report financial and other relevant data in the financial statements, and we concluded that systems of internal control for the Fund operated effectively during 2021/22.

The value of the Fund increased by 5 per cent to £5.1 billion during 2021/22, but investment performance was below the benchmark return set for the year

38. The Fund's performance in 2021/22 is summarised in [Exhibit 5](#). This shows that the net assets of the Fund increased from £4.850 billion at 31 March 2021 to £5.096 billion at 31 March 2022. This £0.246 billion increase in net assets was mainly attributable to an increase in the value of pooled investments (£0.187 billion) and pooled property investments (£0.117 billion), offset by a reduction in the value of equities (£0.057 billion) during the year. These market value changes contributed to a positive annual fund investment return for the year of 5.72 per cent, although this was below the benchmark return set for the year of 11.59 per cent.

Exhibit 5 Asset, funding level and investment performance

Increase in net assets	Funding level	Investment performance
<p>£5.096 billion</p> <p>Closing net assets at 31 March 2022 (+5%)</p>	<p>109%</p> <p>At 31 March 2022 (interim valuation based on roll forward approximation from 2020 triennial valuation)</p>	<p>5.72%</p> <p>Return on investments 2021/22</p>
<p>£4.850 billion</p> <p>Opening net assets at 1 April 2021</p>	<p>109%</p> <p>At 31 March 2021 (based on results of 2020 triennial valuation)</p>	<p>8.51%</p> <p>Return on investments over 5 years</p>

Source: Tayside Pension Fund 2021/22 Annual Report and Accounts

The global impact of the pandemic and the conflict in Ukraine has significantly increased market volatility, and there is a risk that there will be further fluctuations in the Fund value in future years, as the long-term impact of these events becomes clearer

39. When considering the investment performance of the Fund during 2021/22, in [Exhibit 5](#), it is important to recognise the impact of Covid-19 and other world events on financial markets and investments. The global impact of the pandemic and the conflict in Ukraine has significantly increased market volatility.

40. While the Fund's current financial position is still strong, we would caution that the longer-term outlook remains uncertain. There is a risk that there will be further market volatility and fluctuations in the value of investments in future years as the long-term impact of the Covid-19 pandemic and recent world events becomes clearer.

The Fund reported a deficit from dealings with members of £17.6 million for 2021/22

41. As has been the case in recent years, the Fund reported a deficit from dealings with members of £17.6 million in 2021/22 (£26.3 million in 2020/21 and £19.5 million in 2019/20). This means that pension payments exceeded member contributions and investment income was used to ensure pensions were paid.

Dundee City Council was again the only employer body who used the pension contributions prepayment option during 2021/22

42. In March 2020 the Pension Sub-Committee approved a proposal that provides employers the opportunity to prepay pension contributions in order to receive a reduction in the total payment amount. The new arrangements became effective in April 2020 and are set out in the Funding Strategy Statement in the 2021/22 annual report and accounts. The option to prepay is open to all employer bodies and, where an employer body chooses to make prepayments, the advance payment is due by 30 April each year with reductions applied in line with the financial assumptions set by the Fund Actuary.

43. The prepaid contributions attract reductions with the notional amounts payable to cover contributions due to the Fund then subject to annual review. A balancing payment is then required from employers in any case of underpayment compared to the amount due in accordance with the Actuary's Rates and Adjustments Certificate, based on actual pensionable payroll during the year. Prepayments are notional amounts, based on the estimated pensionable payroll for future years, as confirmed by the employer to the Fund.

44. As in 2020/21, Dundee City Council was the only employer body which used the prepayment option during 2021/22. As part of our financial statements audit we confirmed that a clear audit trail had been maintained of the transactions relating to the prepayment and year-end balancing payment.

3. Financial sustainability

Financial sustainability looks forward to the medium and long term to consider whether the Fund maintains the capacity to meet the current and future needs of its members.

Main judgements

The actuary's interim valuation at 31 March 2022 estimated that there is sufficient volatility reserve to maintain the funding level at 109 per cent, which is consistent with the funding position reported in the last triennial valuation.

In September 2021 the Sub-Committee approved changes that will reduce the value of the payments due in respect of cessation liabilities from exiting employers, with remaining employers covering the reduction, but will also limit the risk of exiting employers defaulting on the cessation liabilities payments.

Given the funding level, and the healthy net asset position at 31 March 2022, we currently have no concerns about the financial sustainability of the Fund or the viability of the funding strategy.

The actuary's interim valuation at 31 March 2022 estimated that there is sufficient volatility reserve to maintain the funding level at 109 per cent, which is consistent with the funding position reported in the last triennial valuation

45. As reported in our 2020/21 Annual Audit Report, a full triennial valuation of Tayside Pension Fund was carried out at 31 March 2020 and reported to the Pension Sub-Committee in March 2021. The main purpose of the valuation was to review the financial position of the Fund and to set appropriate contribution rates for each employer for the upcoming three-year period.

46. The results of the valuation showed the Fund to be 109 per cent funded, including a volatility reserve of 10 per cent which is in place to protect the Fund from future volatility of investment returns. This meant that, overall, the Fund has a surplus of assets over liabilities. This enabled the Fund to maintain the employer's common contribution rate at 17 per cent for the period 2021-2024.

47. The interim valuation by the Fund's actuary at 31 March 2022, estimated that there is sufficient volatility reserve to maintain the funding level at 109 per cent using assumptions consistent with those adopted at the 2020 valuation. However, the actuaries also highlighted in their report that future investment returns in the short term are more uncertain than usual, and, in particular, the expected returns from equities is uncertain due to previous reductions and suspensions of dividends and the impact of the war in Ukraine on the global economy.

48. At the request of Dundee City Council, the administering authority, the actuaries will continue to monitor the funding level on a quarterly basis.

The Fund reviewed its investment strategy after the triennial review and approved changes to further diversify the existing asset portfolio

49. The investment strategy is set for the long-term but is monitored continually and reviewed every three years using asset-liability modelling to ensure that it remains appropriate to the profile of the Fund's liabilities.

50. Following each triennial valuation, the Fund is required to review its investment strategy. This review was undertaken by Isio, the Fund's Investment Consultants, during 2020/21.

51. Isio's review recommended that the appropriate long term return strategic benchmark for investment returns should be 5.4 per cent per annum (or CPI plus 3 per cent). This was in line with the investment advisor's long-term market assumptions, with the long-term CPI assumption of 2.4 per cent based on the rate at the triennial valuation date of 31 March 2020.

52. The review also recommended further diversification via investment in alternative class assets, as well as further global equity diversification, with increased focus on sustainability within the portfolios in order to help manage equity and inflation risk over the short to medium term.

53. The Sub-Committee approved the review recommendations at its meeting in June 2021 and agreed that the implementation of the related actions should be taken forward when market conditions are suitable.

In September 2021 the Sub-Committee approved changes that will reduce the value of the payments due in respect of cessation liabilities from exiting employers, with remaining employers covering the reduction, but will also limit the risk of exiting employers defaulting on the cessation liabilities payments

54. The funding strategy statement is a summary of the Fund's approach to funding liabilities and sets out the level of employer and employee contribution rates required to ensure sufficient resources are available to provide for members' pensions and lump sum benefits. The funding strategy statement also covers the arrangements for employers exiting the Fund.

55. The funding strategy statement requires to be reviewed annually, unless circumstances dictate earlier amendment. As part of the 2021 annual review consideration was given to the requirements of employers wishing to exit the Fund, in terms of cessation liabilities, with the objective of developing an alternative methodology that would both enable these employers to exit the fund in an affordable manner, whilst minimising risk to remaining employers. As part of this work the Fund officers took specialist legal and actuarial advice to develop a suitable methodology and mechanism to support this objective.

56. The resultant proposal developed was to move from the current method of valuation of cessation liabilities based on the value of UK treasury gilts, to a new “modified valuation” basis. This will reduce the value of the payments due in respect of cessation liabilities from exiting employers, with remaining employers covering the reduction, but will also reduce the risk of exiting employers being unable to meet cessation liabilities, and therefore the full value of these liabilities falling on the remaining employers.

57. Following employer consultation, the proposal for the changed requirements for exiting employers was considered by the Pension Sub-Committee in June 2021. The Sub-Committee approved the proposal and instructed officers to amend the Funding Strategy Statement accordingly. We noted that the Fund had obtained legal opinion that the changes to the cessation payment arrangements are lawful prior to the proposal being considered by the Sub-Committee.

58. The revised Funding Strategy Statement was approved by the Pension Sub-Committee in September 2021 and is included within the Fund’s 2021/22 Annual Report and Accounts.

In March 2022 the Sub-Committee approved a revised Environmental, Social and Corporate Governance Policy that aligns with the Fund’s commitment to end investment in fossil fuel companies that are not strongly committed to reducing emissions

59. In June 2021 the Pension Sub-Committee instructed officers to conduct a review of energy sector investments to support the Fund’s commitment to ending investment in fossil fuel companies that are not strongly committed to reducing emissions.

60. To support the review officers worked with investment advisors, portfolio managers and industry specialists to agree an appropriate framework that could be implemented to achieve acceptable standards for investments within the Fund for scope 1 and 2 emissions. The application of this framework to the companies that the Fund is currently invested in found that they are all strongly committed to reducing carbon emissions, and that the strength of their commitment was demonstrated to be integral to their respective investment cases.

61. Following the completion of the review, and stakeholder consultation, a revised Environmental, Social and Corporate Governance Policy was approved by the Sub-Committee in March 2022.

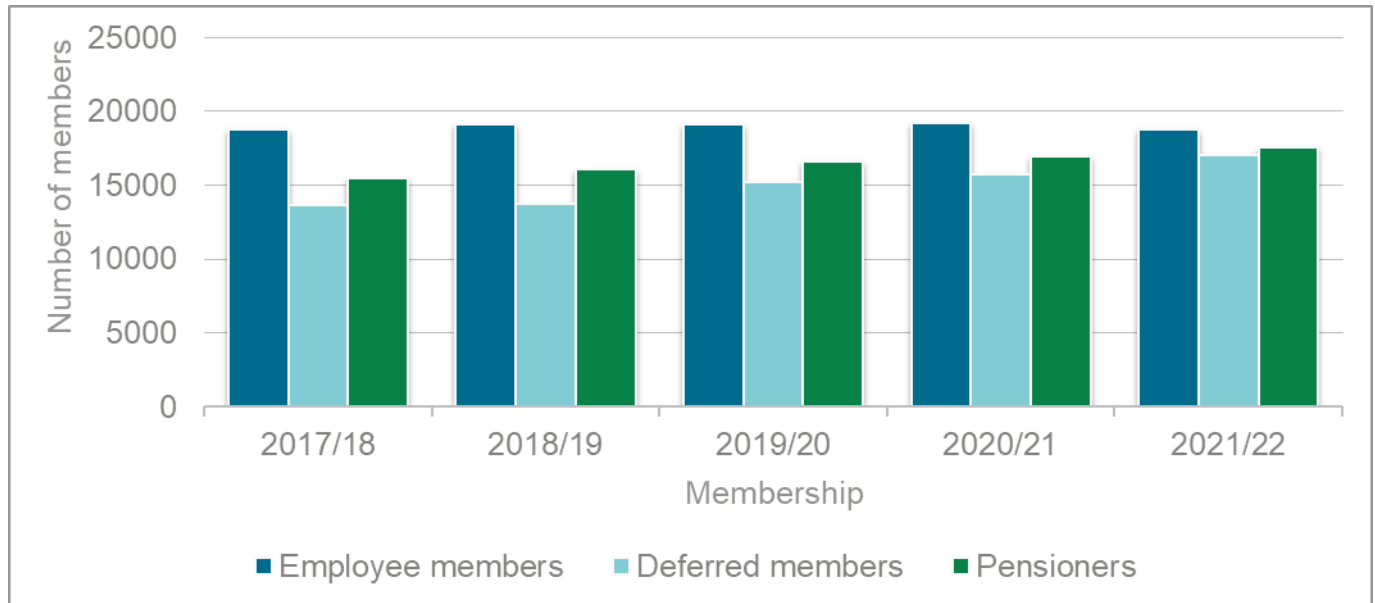
62. We reviewed the revised policy and are satisfied that it is consistent with the Fund’s fiduciary duty to act in the best interest of the scheme’s members.

Overall membership levels have increased over the last five years but the ratio of active members to pensioners has steadily reduced over the same period

63. The Fund is a multi-employer fund with 43 employers at 31 March 2022, comprising 13 scheduled bodies (including Dundee City, Angus and Perth &

Kinross Councils) and 30 admitted bodies. The current membership profile is shown at [Exhibit 6](#).

Exhibit 6 Tayside Pension Fund membership



Source: Tayside Pension Fund Annual Report and Accounts 2017/18 to 2021/22

64. The Fund gives its members a guarantee that in exchange for contributions during their employment, the Fund will pay a pension until the end of each member's life. It is important that the fund maintains the capacity to meet the current and future needs of its members.

65. Overall membership of the fund increased by 1,505 (2.9 per cent) to 53,346 members during 2021/22, and has increased by 5,344 (11.1 per cent) since 2017/18. However, although the number of active members continues to exceed the number of pensioners, the ratio of active members to pensioners has steadily reduced in recent years from 1.21:1 in 2017/18 to 1.07:1 in 2021/22. This, combined with increasing life expectancy over this period, continues to place additional pressure on the Fund. However, this does not present any immediate risk to the financial sustainability of the Fund.

There have been negative cash flows from member activity in recent years and this trend is expected to continue. However, the Fund is content that there is no immediate need to consider investment changes.

66. The Fund reported a deficit from dealings with members of £17.6 million in 2021/22, [Exhibit 7](#). This reflects the trend of negative cash flows from member activity over recent years. The Fund actively monitors its cash-flow position and indications are that negative cash flows will be an ongoing trend in future years. However, based on the actuarial maturity profile, the Fund is content that there is no immediate need to consider investment changes due to the cash flow position.

Exhibit 7**Member transactions 2021/22**

	2019/20 £m	2020/21 £m	2021/22 £m
Employer contributions	73.736	76.211	81.286
Employee contributions	25.890	27.091	28.363
Transfer in	4.551	3.635	6.221
Lump sums paid	(24.369)	(23.026)	(26.132)
Pension paid	(91.639)	(96.061)	(99.574)
Transfer out	(5.825)	(12.503)	(5.757)
Administration costs	(1.884)	(1.655)	(1.968)
Net withdrawals	(19.540)	(26.308)	(17.561)

Source: Tayside Pension Fund 2021/22 Annual Report and Accounts

We currently have no concerns about the financial sustainability of the Fund or the viability of the funding strategy

67. Given the actuary's interim valuation showed that the Fund is 109% funded (paragraphs [45.](#) to [48.](#)), and the healthy net asset position at 31 March 2022 (paragraph [38.](#) and [Exhibit 5](#)), we currently have no concerns about the financial sustainability of the Fund or the viability of the funding strategy.

4. Governance and transparency

Governance and transparency relates to the effectiveness of scrutiny and oversight and the transparent reporting of information

Main judgements

The Fund has adequate arrangements in place to support good governance and accountability, and scrutiny of decision-making.

The administering authority has arranged a member training plan for 2022/23 to assist new members of the sub-committee in discharging their fiduciary duty.

The Fund conducts its business in an open and transparent manner and has appropriate arrangements in place to prevent and detect fraud and corruption, and to ensure compliance with the Pensions Regulator Public Service Code.

The Fund has adequate arrangements in place to support good governance and accountability, and scrutiny of decision-making

68. Dundee City Council is the administering authority for Tayside Pension Fund. The Council has delegated the responsibility for governance to the Pension Sub-Committee of the Policy and Resources Committee. This Sub-Committee, supported by the Pension Board, is responsible for establishing arrangements that ensure the proper conduct of the affairs of Tayside Pension Fund. It is also responsible for ensuring that decisions are made within the terms of the Local Government Pension Scheme.

69. The responsibilities of the Executive Director of Corporate Services, the Pension Sub-Committee and the Pension Board are set out in the Statement of Investment Principles which is included within the Fund's 2021/22 Annual Report and Accounts.

70. The main functions of the fund are the management of investments and the administration of scheme benefits. These functions are carried out in accordance with the Local Government Pension Scheme (Scotland) regulations which are statutory instruments made under the Superannuation Act 1972 and Public Service Pensions Act 2013.

71. Due to the ongoing impact of the Covid-19 pandemic the Pension Sub-Committee and Pension Board meetings were held remotely via Microsoft Teams throughout 2021/22. However, we have not noted any adverse impact on the level of scrutiny at meetings due to these meetings being held remotely.

The administering authority has arranged a member training plan for 2022/23 to assist new members of the sub-committee in discharging their fiduciary duty

72. The Pension Sub-Committee comprises 6 elected members from the administering authority, Dundee City Council, and meets quarterly to oversee the supervision and administration of the fund's investments, set the investment strategy, and oversee pension administration activity.

73. Following the local government elections in May 2022 a new sub-committee was appointed. This included 3 councillors who served on the sub-committee during 2021/22 (including the Chair who was reappointed to that role), and 3 councillors who were newly appointed to the sub-committee. The Pension Board also appointed 2 new councillors representing Angus Council and Perth and Kinross Council.

74. Members of the Pensions Sub-Committee are required to perform an independent fiduciary duty on behalf of the members and employer bodies in the Fund. Therefore, they are required to carry out appropriate levels of training to ensure they have the requisite knowledge and understanding to properly perform their role. To facilitate this, the administering authority scheduled induction training for all new members of the sub-committee and board in August 2022. It also prepared a member training plan for 2022/23 which covers all mandatory training, including the Pensions Regulator Trustee Toolkit training, and other essential training that will assist members in discharging their fiduciary duty.

Recommendation 1

Following the completion of the member training plan for 2022/23, the Fund should carry out an exercise to develop individual member training needs assessments, and personal development plans, for all sub-committee and board members to ensure their training requirements continue to be met going forward.

The Fund conducts its business in an open and transparent manner

75. Openness and transparency means that the public, in particular members of the pension fund, have access to understandable, relevant and timely information about how the fund is taking decisions and how it is using resources.

76. Public sector governance guidance indicates that an organisation that is transparent shows the basis for its decisions and shares information about performance and outcomes, including when targets have and have not been achieved as well as how it is using its resources such as money, people and assets.

77. There is evidence from several sources which demonstrate the Fund's commitment to transparency. For example, the Pension Sub-Committee and Pensions Board meetings are held in public and the minutes of all meetings are available on the administering authority's website. The Fund's Annual Report and Accounts are also available on the administering authority's website, along with

investment and administration performance information, and key governance documents.

The management commentary in the 2021/22 Annual Report and Accounts provided a fair, balanced and reasonable analysis of the organisation's financial performance for the year

78. In addition to the consistency opinion on the management commentary covered in Part 1 of this report, we also consider the qualitative aspects of the management commentary included in the annual accounts. The purpose of the management commentary is to provide information on the Fund, its main objectives and strategies, and the principal risks that it faces. It is required to provide a fair, balanced and reasonable analysis of a body's performance and is essential in helping stakeholders understand the financial statements. We concluded that the management commentary in the 2021/22 Annual Report and Accounts satisfied these requirements.

79. CIPFA's *Preparing the Annual Report – Guidance for Local Government Pension Scheme Funds* provides a general framework for Funds to follow when preparing the annual report, identifying the topics that need to be covered and providing illustrations of how these requirements could be addressed in practice. As part of our 2021/22 audit we reviewed the Fund's annual report against this guidance and identified areas where the current disclosures could be enhanced. These were discussed with management who made the changes requested with the exception of one suggestion which they were unable to action as they did not have the required information available. This related to the inclusion of a long-term cashflow projection for the Fund which would require input from the actuary. We accepted that this information could not be included in the 2021/22 Annual Report and Accounts and management committed to including this from 2022/23 onwards.

Recommendation 2

A 10-year cashflow projection should be included in the 2022/23 Annual Report and Accounts to enhance the annual report disclosures relating to the future financial position of the Fund.

The Fund has appropriate arrangements in place to prevent and detect fraud and corruption

80. The Fund is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

81. We assessed the Fund's arrangements for the prevention and detection of fraud as part of our 2021/22 audit. The Fund relies on the administering authority's arrangements for the prevention and detection of fraud and corruption. These include a Code of Conduct for members and officers, Whistleblowing Policy and an Anti-Fraud Strategy.

82. We concluded that the Fund has appropriate arrangements in place to prevent and detect fraud and corruption. We are also not aware of any specific issues during 2021/22 that we require to bring to your attention.

There are effective arrangements in place for complying with the Pensions Regulator Public Service Code

83. The Public Sector Pensions Act 2013 provided for extended regulatory oversight by the Pensions Regulator. The Pensions Regulator issued a code on the governance and administration of public service pension schemes in January 2015 which funds are expected to comply with.

84. The Pension Fund Manager and Senior Financial Services Manager monitor any potential breaches of the Pensions Regulator Public Service Code regulations. If any such incidents occur, they are discussed with the Head of Corporate Finance to establish if they are material breaches that require to be reported to the regulator.

85. Management has confirmed that there were no reportable breaches during 2021/22.

5. Best Value

Best value is about using resources effectively and continually improving services

Main judgements

The Fund has an appropriate best value framework in place which includes effective arrangements for monitoring investment performance and scrutinising investment management.

2021/22 was a challenging year for Scottish Local Government Pension Schemes. Ten of the eleven funds still reported positive movements in net assets during the year, but only three of those funds, not including Tayside, reported above benchmark returns.

Performance of the Fund's individual investment managers over the last 12 months was worse than targeted with only two of eight investment portfolios performing above benchmark. However, longer-term investment performance shows above benchmark returns for the Fund over the last five and ten years despite below benchmark performance over the last 12 months.

The time taken to administer pension cases has increased significantly this year. This is due to the increased complexity of cases alongside recruitment and training challenges with staff.

Implementing the remedy to fix unlawful discrimination in public service pension schemes will place a significant additional administrative burden on all Scottish Local Government Pension Schemes. The Fund has developed an outline project plan and proposed timetable for implementing the remedy and is recruiting additional staff to assist in delivering against this.

The roll-out of the i-Connect system and the Member Self Service online portal reduced the level of manual processing during 2021/22 and has the potential to deliver even greater efficiencies in the future.

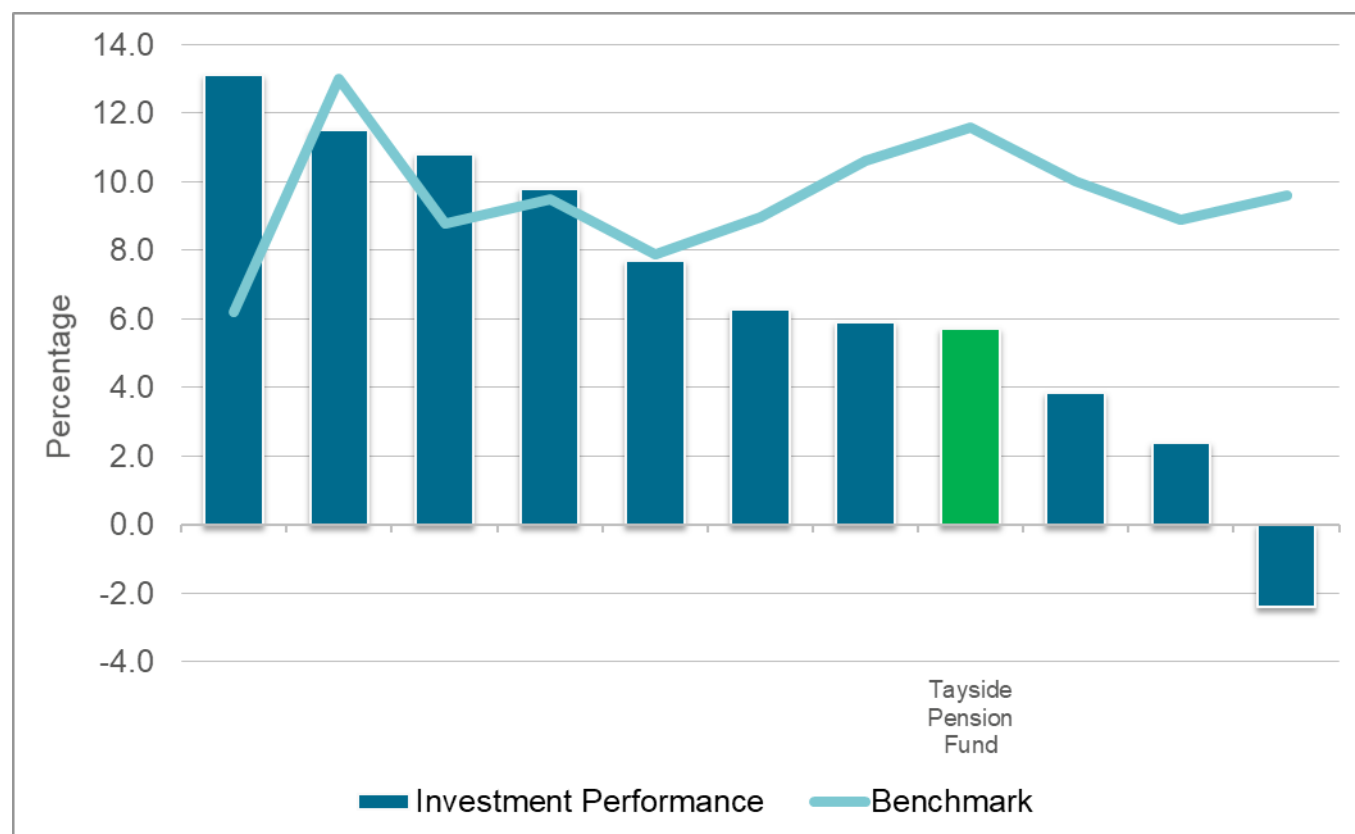
2021/22 was a challenging year for Scottish Local Government Pension Schemes. Ten of the eleven funds still reported positive movements in net assets during the year, but only three funds reported above benchmark returns.

86. 2021/22 was a challenging year for Scottish Local Government Pension Schemes due to the impact of Covid-19 and other world events on financial

markets and investments, as discussed at Part 2 of this report. Ten of the eleven funds still reported positive movements in net assets during the year, but only three funds reported above benchmark returns, with investment performance ranging from -2 per cent to 13 per cent (compared to returns ranging from 16 per cent to 38 per cent in 2020/21). Tayside Pension Fund's increase of 5.7 per cent placed it near the bottom of this range and reflected the greater impact of the wider market conditions on the value of equity markets over the last 12 months.

Exhibit 9

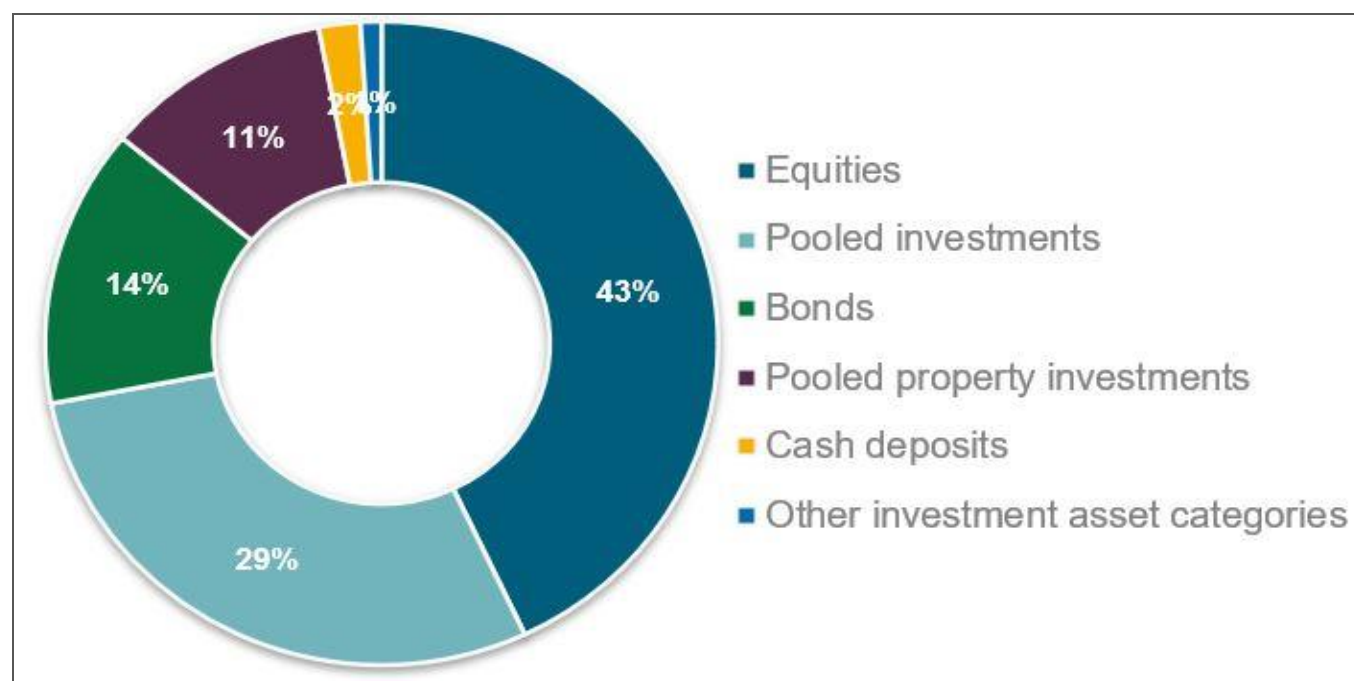
LGPS pension funds 2021/22 – Net return on investment and benchmark return



Source: 2021/22 LGPS pension fund unaudited financial statements

At 31 March 2022, 43 per cent of the value of the Fund's investment assets was held in equities

87. As shown in [Exhibit 8](#), the Fund is largely equity based with £2.214 billion (43 per cent) of the Fund's total investment assets at 31 March 2022 held in equities. Hence the Fund's investment performance is heavily reliant on the investment returns of equity managers. A further £1.507 billion (29 per cent) of the Fund's investment assets were held in pooled investments and £0.721 billion (14 per cent) were held in bonds at 31 March 2022.

Exhibit 8**Split of investment assets at 31 March 2022**

Source: Tayside Pension Fund 2021/22 Annual Report and Accounts

88. The Fund also continues to invest in long term enhanced yield assets, such as UK property. At 31 March 2022, the Fund held direct property assets with a value of £0.560 billion, 11 per cent of the Fund's investment assets. The objective of holding such investments is to provide a long-term income stream and a degree of inflation protection. Maintaining long term investment income is important to ensuring the Fund has available funding to meet any deficit resulting from dealings with members.

89. As detailed at paragraphs [49.](#) to [53.](#), the Fund reviewed its investment strategy during the year and approved changes to further diversify the existing asset portfolio with increased focus on sustainability within the portfolios in order to help manage equity and inflation risk over the short to medium term. The sub-committee approved the related actions being taken forward when market conditions are suitable but there has so far been limited opportunity for the Fund to deliver this increased diversification.

Performance of the Fund's individual investment managers over the last 12 months was worse than targeted with only two of eight investment portfolios performing above benchmark

90. The Fund used five external investment managers managing eight distinct mandates (a set of instructions laying out how a pool of assets should be invested) during the course of 2021/22. Investment manager performance for each portfolio is reported on a quarterly basis to the Pension Sub-Committee. The Fund's external investment advisor attends the meetings in an advisory capacity, when required. The external investment advisor also provides an annual report to the Pension Sub-Committee each March covering the performance of each portfolio, and the full fund, for the previous calendar year.

91. The performance summaries presented to each meeting of the Sub-Committee include details of performance of individual portfolios against benchmark for each quarter of the current year, and over the last three and five years. This allows members of the Sub-Committee to scrutinise investment performance and to question officers on the reasons for any under-performance.

92. During 2021/22 the overall performance of investment managers was worse than targeted with only two of eight investment portfolios performing above benchmark, and one performing in line with benchmark. This was largely attributable to the impact of Covid-19 and other world events on global equity markets over the last 12 months, with three of the four equity mandates reporting returns that were well below their benchmark for the year.

A new investment mandate commenced in March 2022 that focuses on investing in global high quality growth companies that can deliver positive change

93. A new mandate commenced on 28 March 2022. This is being managed by Baillie Gifford and involves opening funds of £52 million being invested in its Positive Change Fund (PCF). The PCF invests in an actively managed portfolio of 25-50 global high quality growth companies that can deliver positive change in one of four current themes:

- social inclusion and education
- environment and resource needs
- healthcare and quality of life; and
- base of the pyramid (addressing the needs of the world's poorest populations).

94. The PCF's current top holdings include investments in companies such as Moderna (5.9 per cent of total assets) and Tesla (4.8 per cent of total assets), as well as a number of companies involved in the development and manufacture of green and sustainable technology.

95. The characteristics of this new investment mandate reflect the objective of Tayside Pension Fund's revised investment strategy to further diversify the Fund's investments, paragraphs [49.](#) to [53.](#)

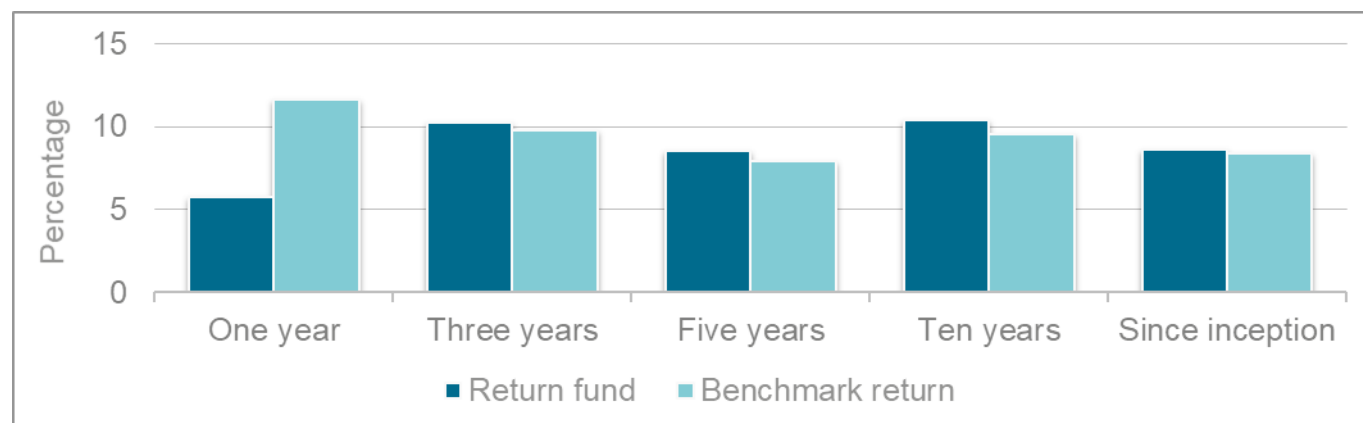
Longer-term investment performance shows above benchmark returns for the Fund over the last five and ten years despite below benchmark performance over the last 12 months

96. The Pension Sub-Committee meets on a quarterly basis. A review of fund managers' performance is a standing item on the Sub-Committee's agenda. At each meeting, Sub-Committee members receive a report outlining overall fund performance including an analysis of risks and returns.

97. [Exhibit 10](#) shows that the Fund performed well below the benchmark over the last 12 months, generating a rate of return of 5.72 per cent against the

benchmark of 11.59 per cent. However, the medium and long-term performance remains strong with the Fund performing above benchmark over the last five years (8.51 per cent against the benchmark of 7.94 per cent), ten years (10.39 per cent against the benchmark of 9.53 per cent), and since the inception of the Fund (8.64 per cent against the benchmark of 8.40 per cent).

Exhibit 10 Longer-term Fund investment performance



Source: Tayside Pension Fund 2021/22 Annual Report and Accounts

The total number of pension administration cases decreased during 2021/22, however, the average days taken to process these cases increased due to an increase in the level of complex cases

98. As shown in [Exhibit 11](#) on page [31](#), the total number of pension administration cases decreased from 5,772 cases in 2020/21 to 4,894 in 2021/22 as a direct result of members utilising the self-service module to generate their own benefit estimates. However, the implementation of this new system also resulted in an increase of administration and payroll tasks, as members proactively updated their information within the system. The average days taken to process estimate cases increased due to the complex nature which were unable to be accessed directly by members (i.e. straight forward cases can now be completed by members using the self-service module so more of the cases that require to be processed by pension administration staff are complex, time-consuming cases).

99. During 2021/22 the Fund prioritised the processing of cases subject to statutory deadlines (including death grant and retirements cases). The average time spent to process these cases improved during the year and all were completed within the statutory deadlines.

Exhibit 11

Administration case processing volumes and performance

Task	Case volume 2020/21	Average days to process	Case volume 2021/22	Average days to process
Clerical tasks	1,304	12.41	2,326	56.92
Death grant	97	90.28	129	64.60
Divorce	55	48.07	63	48.29
Estimates	3,133	26.91	867	51.39
Payroll related	335	53.54	355	80.00
Retirements	848	48.36	1,154	19.05
Total caseload	5,772	29.60	4,894	48.78

Source: Tayside Pension Fund 2021/22 Annual Report and Accounts

Recommendation 3

The Fund should develop additional guidance and support to help pension administration staff understand the more complex cases, and enable the team to build a larger pool of staff who are able to process these cases with limited assistance.

Implementing the remedy to fix unlawful discrimination in public service pension schemes will place a significant additional administrative burden on all Scottish Local Government Pension Schemes. The Fund has developed an outline project plan and proposed timetable for implementing the remedy and is recruiting additional staff to assist in delivering against this.

100. On 19 July 2021, a bill was put before Parliament amending the Public Service Pensions Act 2013 to fix unlawful discrimination in public service pension schemes. Measures that have been identified as being required by pension funds to address and rectify have since been described as the “remedy”. The appeal case (known as McCloud and Sargent) identified that unlawful discrimination existed between 2 categories of LGPS members:

- Those who were in service on 31st March 2012 and were within 10 years of their Normal Pension Age (NPA) on 1st April 202 and as such benefited from the underpin protection provided in the 2015 Scheme Regulations.

- Those who were in service on 31st March 2012 and were more than 10 years from their Normal Pension Age (NPA) and as such did not benefit from the underpin protection provided in the 2015 Scheme Regulations.

101. The remedy will remove the unlawful discrimination by providing underpin protection to the second group noted above, and as such will treat both categories of scheme members equally. The remedy will also ensure that there will be automatic retrospective adjustment of benefits for applicable scheme members who have ceased scheme membership. This is a significant body of work and administratively complex.

102. The related legislation passed in early 2022 and requires funds to implement the 'remedy' to age discrimination within the Local Government Pension Scheme. Compliance with this legislation will involve a significant and administratively complex body of work for the Fund.

103. We highlighted in our 2021/22 Annual Audit Plan that there is a risk that the Fund does not have sufficient capacity to complete this work, or that it impacts upon routine pension administration work. Management confirmed that the wider impact of this had been considered during the development of the outline project plan and timeline provided to the Pension Sub-Committee in December 2021.

104. The outline project plan set out the proposed timetable for implementing the remedy and also identified the additional resources that would be required to deliver this. A recruitment exercise was undertaken in April 2022, with a view to live casework beginning in October 2022.

105. The recruitment exercise was successful in appointing some of the additional staff required but a further exercise is planned to fill the remaining posts. Due to delays in the finalisation of the guidance relating to the implementation of the remedy it has now anticipated that the live casework will not commence until early 2023.

The roll-out of the i-Connect system and the Member Self Service online portal reduced the level of manual processing during 2021/22 and has the potential to deliver even greater efficiencies in the future

106. I-Connect is a cloud based system that manages the flow of employee information from payroll system to the fund's pension administration system. The software enables employers to provide employee information in a secure method. The monthly data uploads inform the Fund of any changes to members details, new joiners and leaver forms, removing the burden of cumbersome employer year end reporting.

107. This system was rolled out to all scheme employers during 2021/22. Prior to the rollout, sessions were held with employers and their staff, and these sessions were recorded and made available to all employers. Individual sessions were also hosted.

108. The introduction of the Member Self Service (MSS) online portal during 2021/22 enabled members to calculate estimates of their own retirement benefits, subject to certain conditions, and resulted in a reduction in cases processed on an individual basis. It also led to employers not requesting bulk calculations of redundancy / efficiency calculations which was reflected in a significant reduction in 'Estimates' cases this year from 3,133 in 2020/21 to 867 in 2021/22 as shown in in [Exhibit 11](#) on page [31](#).

109. The MSS portal is now utilised to issue members with documents, letters and calculation summaries including new joiner communications, estimates and retirement details. During 2021/22 a total of 8,848 (17 per cent) of the Fund's 53,346 members had registered and were actively utilising the portal.

Recommendation 4

The Fund should consider new ways to actively publicise and promote the Member Self Service online portal to encourage as many of the Fund's members as possible to utilise the service. This would have the dual benefit of both enabling those members to quickly access their pension information and reducing the processing burden on pension administration staff.

National performance audit reports

110. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2021/22 a number of reports which may be of interest to the Fund. These are detailed in [Appendix 3](#).

111. We noted that the Pension Sub-Committee considers Audit Scotland reports that are relevant to its remit to identify any issues that might be of interest and relevance.

Appendix 1. Action Plan 2021/22

2021/22 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Member training</p> <p>Following the 2022 local government elections, 3 councillors were newly appointed to the Pension Sub-Committee and 2 new councillors were appointed to the Pension Board.</p> <p>There is a risk that the new appointees do not have sufficient training and support to discharge their duties.</p>	<p>Following the completion of the member training plan for 2022/23, the Fund should carry out an exercise to develop individual member training needs assessments, and personal development plans, for all sub-committee and board members to ensure their training requirements continue to be met going forward.</p> <p>Paragraphs 72. to 74.</p>	<p>Agreed. Training needs assessments will be undertaken and incorporated into the training plan for 2023/24.</p> <p>Responsible officer: Senior Manager – Financial Services</p> <p>Agreed date: 31 March 2023</p>
<p>2. Cashflow projection disclosures</p> <p>The 2021/22 annual report does not include a long-term cashflow projection for the Fund.</p> <p>The annual report disclosures relating to the future financial position of the Fund could be enhanced by the inclusion of this information.</p>	<p>A 10-year cashflow projection should be included in the 2022/23 Annual Report and Accounts.</p> <p>Paragraphs 78. and 79.</p>	<p>Agreed. Annual Report of 2022/23 will include this information.</p> <p>Responsible officer: Senior Banking and Investment Officer</p> <p>Agreed date: March 2023</p>
<p>3. Pension administration case processing times</p> <p>The average days taken to process pension administration cases increased during 2021/22 due to members having the ability to self-generate straight forward estimates. The remaining cases requiring calculation by the administration staff are complex, and as a result have longer processing times.</p> <p>There is a risk that the delay in processing pension administration cases adversely affects members.</p>	<p>The Fund should develop additional guidance and support to help pension administration staff understand the more complex cases, and enable the team to build a larger pool of staff who are able to process these cases with limited assistance.</p> <p>Paragraphs 98. and 99.</p>	<p>Agreed. Management will review current guidance and support arrangements to accommodate.</p> <p>Responsible officer: Pension Administration Manager</p> <p>Agreed date: December 2022</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>4. Member Self Service online portal</p> <p>The Fund introduced a Member Self Service online portal during 2021/22 and by the end of the year 17 per cent of members had registered and were actively utilising the portal.</p> <p>There is a risk that other members have not yet registered for the portal as they are not aware of its existence or capabilities.</p>	<p>The Fund should consider new ways to actively publicise and promote the Member Self Service online portal to encourage as many of the Fund's members as possible to utilise the service.</p> <p>Paragraphs 106. to 109.</p>	<p>Whilst the issue of the 2022 Annual Benefit Statement Exercise in August 2022 will again increase on the initial uptake of MSS, the Fund will also actively promote uptake via members, employers and the Fund's website.</p> <p>Responsible officer: Senior Manager – Financial Services</p> <p>Agreed date: Throughout the financial year</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>PY1. Additional voluntary contributions disclosure</p> <p>The 2020/21 figures for members whose AVCs are managed by Prudential have not been disclosed within the Annual Report and Accounts.</p> <p>Risk: Stakeholders will be unable to access this information.</p>	<p>An addendum to the accounts disclosing the omitted AVC information should be published on the Fund's website once it is provided.</p>	<p>Complete</p>

Appendix 2. Wider audit dimension risks

The table below sets out the risks we identified for the 2021/22 audit relating to our wider responsibility under the Code of Audit Practice 2016 and how we addressed each risk in arriving at our conclusion.

Audit risk	Assurance procedure	Results and conclusions
<p>1. Pension Administration Capacity</p> <p>Legislation passed in early 2022 requires funds to implement the 'remedy' to age discrimination within the Local Government Pension Scheme identified by the McCloud and Sargent rulings.</p> <p>Compliance with this legislation will involve a significant and administratively complex body of work for the Fund.</p> <p>There is a risk that that the Fund does not have sufficient capacity to complete this work, or that it impacts upon routine pension administration work.</p>	<ul style="list-style-type: none"> • Consideration of reports to the Pension Sub-Committee relating to progress in implementing the remedy. • Review of quarterly Pension Administration performance reports to the Pension Sub-Committee. 	<p>Ongoing</p> <p>The Fund has developed an outline project plan and proposed timetable for implementing the remedy and is recruiting additional staff to assist in delivering against this.</p> <p>Paragraphs 100. to 104.</p>

Appendix 3. National performance reports

May

[Local government in Scotland Overview 2021](#)

June

[Covid 19: Personal protective equipment](#)

July

[Community justice: Sustainable alternatives to custody](#)

September

[Covid 19: Vaccination programme](#)

January

[Planning for skills](#)

[Social care briefing](#)

February

[NHS in Scotland 2021](#)

March

[Local government in Scotland: Financial Overview 20/21](#)

[Drug and alcohol: An update](#)

[Scotland's economy: Supporting businesses through the Covid 19 pandemic](#)

Tayside Pension Fund

2021/22 Annual Audit Report

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