

Fife Council Pension Fund Annual Report 2014-15

SCHEME OF PENSIONS REGULATOR REGISTRATION NUMBER: 10038483



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MANAGEMENT COMMENTARY

Introduction

Welcome to the Annual Report and Accounts for the 2014-15 Local Government Pension Scheme (LGPS) administered by Fife Council. The report is intended to keep members, employers, pensioners and other interested stakeholders informed about the management and performance of the Pension Fund.

The report has been produced in accordance with Regulation 31A of the Local Government Pension Scheme Amendment (Scotland) Regulation 2010 and supporting guidance issued by Scottish Ministers.

Governance Arrangements

The Superannuation Fund and Pensions Sub-Committee oversees the running of the pension fund. Following the 2012 Local Government elections a new sub-committee was formed. The sub-committee oversees the supervision and administration of fund's investments, sets the investment strategy and also oversees pension administration. The sub-committee plays a key role in managing the risk that the fund is exposed to as there is a need to balance securing the solvency of the fund and at the same time keeping employers' contributions stable.

Training has continued to be provided during the year on fund investment and a training session on the new LGPS 2015 was delivered to the sub-committee.

Work has been ongoing during the year to establish a Pension Board from the 1 April 2015. This is a requirement of the new regulations and is intended to give greater oversight of the LGPS. The first meeting of the sub-committee with the Pension Board in attendance was held in May 2015.

Activity in 2014-15

A significant amount of work has been undertaken during the year to prepare for the reform of the LGPS. This has required a large number of changes to processes and systems in order that pension services are delivered effectively and the move is made to the new Career Average Revalue Earnings (CARE) scheme from 1 April 2015.

The level of communication to members has also increased in order to ensure that they are aware of and understand the implications of moving to the new scheme.

Fife Resource Solutions and Poppyview Family Centre joined as admitted bodies during 2014 and St Andrews Link Trust closed admission to new members from 1 August 2014. The administration of Police and Fire pensions transferred to the Scottish Public Pension Agency (SPPA) during the year.

The results of the 2014 valuation were published in March 2015 and, in conjunction with the fund Actuary, a revised Funding Strategy Statement was prepared.

The majority of administrations Key Performance Indicators (KPI's) were met during the year. Benchmarking on administration unit costs was comparable to other authorities based on direct costs. A breakdown of administration performance in the year is detailed in the Scheme Administration Report.

Triennial Valuation and Funding Strategy

An actuarial valuation was undertaken as at 31 March 2014 placing a value on the fund's assets and liabilities at that time. It showed there was a pension deficit. The fund's assets were valued at £1.589bn and the fund's liabilities were valued at £1.811bn, resulting in a funding level of 87.8%. This meant there was a shortfall of assets to the assessed cost of members' benefits of £221m. However, the funding level was slightly higher than the 87% funding level as at 31 March 2011. Although the deficit had increased by £39m since 2011, the market value of assets had increased from £1.283bn as at 2011 largely due to investment returns.

The 2014 valuation results can be viewed at www.fifedirect.org.uk/lqps.

Investment Performance

The current investment strategy ensures investment performance is managed effectively and monitored closely under the governance arrangements in place.

There is currently a strategic allocation of 80% in growth assets (equities, property, etc.) and 20% in non-growth assets (bonds). This is a consequence of the formal strategic review of the investment strategy that was undertaken in March 2014.

The Pension Fund outperformed its benchmark in the financial year to 31 March 2015. The combined asset value of the funds invested at the end of March 2015 increased by £241m from the previous financial year end to £1.830bn, an increase of 12%.

2014-15 Accounts

A summary of the main statements is provided below:-

Statement of Responsibilities – outlines the administering authority's responsibilities.

Fund Account – shows income and expenditure from the fund in relation to scheme members and the investment and administration of the fund. The account also compares the fund's net assets at the start of the year to the net assets at the year end.

The fund account shows that contributions increased during the year to 31 March 2015 from £85.6m to £87m and the benefits payable reduced from £65.4m to £64.2m due to lower payments in lump sum benefits.

Net Assets Statement – shows the type and value of all net assets at the year end.

The Fund's net assets increased by £241.5m from £1.589bn to £1.830bn as at 31 March 2015.

Notes to the Fund Accounts – provides supporting details and analysis of the figures in the Fund Account and Net Assets Statement.

Future Years

Pension reform will have a significant impact within 2015-16 as we move to the new CARE scheme. The planning and preparation that has been advanced this year will stand us in good stead to make a smooth transition.

The UK Government's pension reforms from 6 April 2015 known as 'Freedom and Choice' gives more flexibility to the way that savers can access their pension pots. It will be interesting to see the level of interest from members. However the requirement to seek professional financial advice before accessing funds over £30,000 will provide a safeguard for members.

Other challenges we will face include potential volatility in the investment markets, a potential increase in interest rates and greater use of technology with the introduction of self service for members and employers. We are in a strong position to deal with the challenges and ensure that the pension fund is managed effectively and we continue to protect members' interests.

Acknowledgements

We would like to thank elected members and officers of the Council for all of their work during 2014-15. The production of the accounts is very much a team effort and again the accounts were completed by the 30 June deadline.

Brian Livingston MBA CPFA
Executive Director Finance and Corporate Services
28 September 2015

Steven Grimmond
Chief Executive
28 September 2015

Councillor William Campbell
Chair of the Superannuation and Pension Fund Sub-committee
28 September 2015

MEMBERSHIP OF THE FUND

Membership of the fund comprises employees, deferred members* and pensioners of Fife Council and other participating employers. The fund is also open to elected members of the Council.

Participating employers are either scheduled or admitted bodies. Scheduled bodies have a statutory obligation to join the fund. Other employers may join, provided they meet certain conditions. These are known as admitted bodies.

The list of participating employers during 2014-15 is as follows:-

Scheduled Bodies

Fife Council

Fife College (formerly Adam Smith and Carnegie Colleges)

Visit Scotland

Police College

Scottish Police Authority (for former support staff of Fife Constabulary and new support staff based in the Fife area)

Scottish Fire & Rescue Service (for former support staff of Fife Fire & Rescue Service and new support staff based in the Fife area)

Admitted Bodies

St Andrews Links Trust

Fife Alcohol Support Service

East of Scotland European Partnership

Fife Housing Association Ltd

Fife Gingerbread

Citizens Advice & Rights Fife

Home-Start Levenmouth

Business Gateway Fife

Drug & Alcohol Project

FIRST

The Clued-Up Project

Fife Historic Buildings Trust

Fife Forth Valley Community Justice Authority

Forth & Oban

Fife Sport & Leisure Trust

Fife Coast & Countryside Trust

Fife Women's Aid

Fife Golf Trust

Fife Cultural Trust

SRUC

Fife Resource Solutions

Poppyview Family Centre

Changes in Membership

The following changes with employers took place during 2014-15:-

Fife Resource Solutions joined as an admitted body on 1 April 2014.

Poppyview Family Centre joined as an admitted body on 14 April 2014.

St Andrews Links Trust closed admission to the scheme to new members from 1 August 2014.

Fund Membership as at 31 March

The total Fund membership at 31 March is made up as follows:-

	2014-15	2013-14
Active Members	16,130	16,090
Deferred Members*	5,571	5,271
Pensioners/Dependants	11,014	10,526
Total	32,715	31,887

* Deferred members no longer actively contribute to the Fund, either because they have left employment, or have opted out of the LGPS. However, they have chosen to keep their benefits in the Fund. Their benefits are payable from age 60 but may be subject to actuarial reductions if payment is made before age 65.

SCHEME ADMINISTRATION REPORT

The Team

Fife Council's HR/Payroll and Pension Transaction Team provides a pension service to the members and employers of the fund. Administration of the police and fire pension schemes for uniformed staff was transferred to the Scottish Public Pensions Agency in January 2015, in accordance with the Scottish Government's decision to centralise administration. Team members worked closely with the Agency and our software supplier to ensure a smooth transition of member data with the least possible disruption to members. The team continues to provide a pension service to former support staff of Fife Constabulary and Fife Fire & Rescue Service and to new police and fire support staff located in the Fife area.

2014-15 was another busy year for the team. A main focus has been implementing the new Local Government Pension Scheme (LGPS 2015) from 1 April 2015, again with the aim of ensuring the least possible disruption to service delivery. This has required the team to liaise closely with the software supplier to ensure system changes are in accordance with the regulatory framework, updating the computerised workflow management system, developing a communications strategy to ensure members are kept up to date with changes to the scheme and training team members and employers on new responsibilities and data requirements.

Team members participated in a technical group of Scottish Pension Fund Administrators tasked with examining and commenting on draft regulations for the new scheme.

The triennial valuation of the fund was carried out as at 31 March 2014 which added to the team's workload. The team worked closely with the fund Actuary to provide the required membership data. The results of the valuation followed discussion and negotiations with participating employers. The valuation report was reviewed at the May 2015 Pension Sub-Committee.

Staff Development

The Council is committed to providing an effective and efficient pension service to members and employers. The Council is therefore aware of the need to ensure that team members are fully developed to a professional standard. Development and training needs are identified through the contribution management process to ensure that the relevant pensions knowledge is acquired, maintained and developed. Consequently, staff are encouraged to obtain a recognised professional pension qualification through the Chartered Institute of Payroll and Professionals.

Emphasis not surprisingly has been placed on training team members about the LGPS 2015 and ensuring that they are supported during the implementation process. In January team members attended the LGPS Secretariat's training session on the LGPS 2015 which was followed up by in-house training sessions on specific aspects of the scheme. Training covers not just calculation routines but also changes to policies and procedures.

Administration Performance

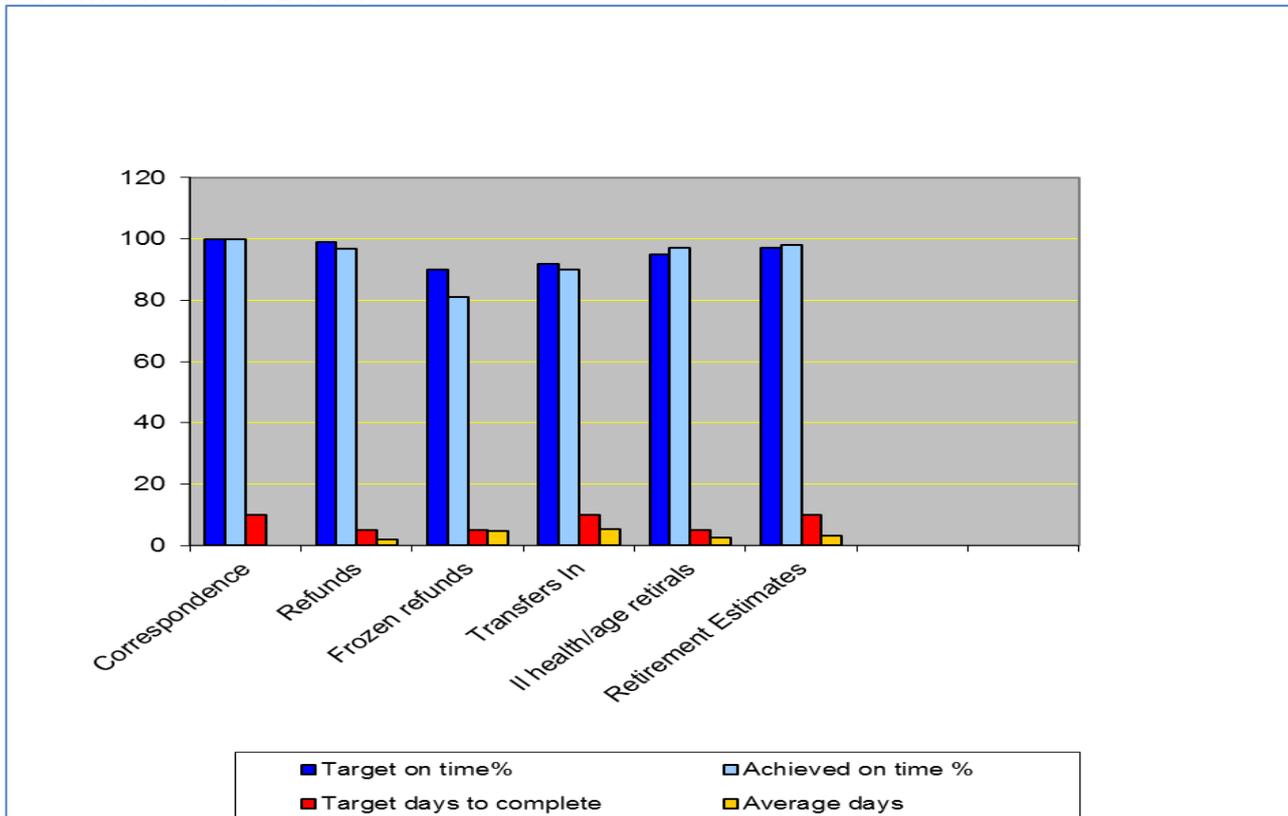
Performance in 2014-15 overall was good with almost all of the key performance targets met. This was despite the increased workloads resulting from the implementation of the new scheme and the triennial valuation.

Key performance indicators are prepared quarterly for management and, if requested, on an annual basis to employers.

Service level agreements with scheme employers have been in place for a number of years and the development of a Pension Administration Strategy Statement effectively consolidates all roles, responsibilities, and expected performance targets for the team and scheme employers in one document. The statement can be accessed: www.fifedirect.org/lqps.

The chart below provides performance data on the team's key targets for 2014-15.

Performance Chart 2014-15

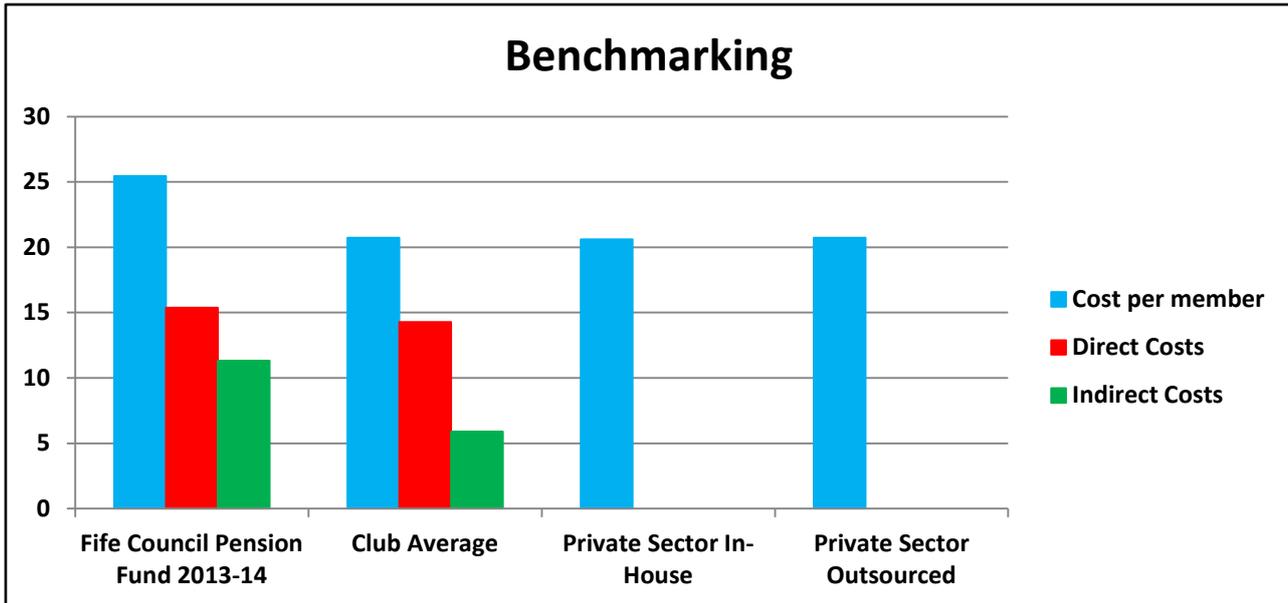


We are pleased to report that we have met our target dealing with correspondence and exceeded our targets in processing all retirements and estimate requests. The team is working on improving our performance with transfers and refunds by enhancing the workflow processes and on-going training. Enhanced reporting from the Council's payroll system will result in earlier notification of leaver information. This will allow the team to contact members earlier with their choices, including the option to take a refund of their contributions. The refund mandate has also been amended to make it clearer for members that they have a choice.

The team's performance is continually monitored to ensure improvements are made in all areas. Consequently, the team has been extending the range of tasks to be reported on in 2015-16 to provide a more comprehensive indication of how the team is performing.

The Council continues to participate in the Chartered Institute of Public Finance and Accountancy (CIPFA) benchmarking survey.

The results of unit cost comparison for the most recent year (2013-14) were as follows:-



The fund's total cost per member is higher than the club average but a breakdown shows that the difference is due, in the main, to significantly higher indirect costs. Funds use different methods when calculating their indirect costs to apportion overheads.

Communications

The Council recognises that effective communication is vital to ensure that members and employers are informed about the range of benefits offered by the LGPS and are also kept up to date with scheme changes.

The fund is required to have a formal written communications statement outlining:-

- how the fund deals with members, prospective members, member representatives and employers;
- the format, frequency and method of communication; and
- how the fund promotes the scheme to prospective members and employers.

You can view the fund's current Communication Policy Statement at Appendix D and also at www.fifedirect.org.uk/lgps.

In brief, the team communicates with its members and employers in a variety of ways, including:-

- through the pensions website. The site contains a library of literature, including guides and forms which can be accessed and downloaded as required. The website is updated to inform members about legislation changes. The team is currently working with the Council's Communication Service to enhance this site;
- issuing newsletters to active members, deferred members and pensioner members. Employers' Bulletins are also issued; and
- annual benefit statements are issued to active and deferred members.

The main communication activity over the year was designed to educate and inform members and employers about the scheme changes.

Member and employer communications have been developed by the Scottish Local Government Pension Advisory Group (SLOGPAG) Communications Sub-Group. (SLOGPAG comprises representatives from COSLA, Local Government Trade Unions and the Scottish Government). All communication material has been made available on a dedicated Scottish wide website www.scotlgps2015.org.

The national website was enhanced during the year to include:-

- a video providing an overview of the new scheme;
- a modeller showing how a pension builds up from 1 April 2015; and
- an in depth member briefing on specific aspects of the new scheme.

Whilst the Council used the SLOGPAG communications material and directs members to the national website, the team works closely with the Council's Communication Officers to develop a communications strategy to ensure that information can be accessed easily by current and potential members.

It was agreed that regular global emails would be sent out Council wide highlighting specific aspects of the scheme to raise awareness and interest in the run up to 1 April 2015 and thereafter. The pensions website has also been updated frequently and the LGPS 2015 was promoted on the Council's intranet.

We are acutely aware however that not all employees have email or even access to the national website. Therefore, information about the new scheme was included along with the 2014 annual benefit statements and in newsletters and council managers were provided with a series of member briefings for distribution. Posters were also displayed in Council buildings.

The team also helped other participating employers to communicate the new scheme to their members. Posters were provided and the text used in the Council global emails and intranet messages was given to employers for them to communicate the new scheme to employees.

Presentations are also offered, on request, by the team, for employees and employers, outlining the features and benefits of the scheme.

Working with Scheme Employers

The team liaised closely throughout the year with participating employers in particular in connection with staffing reduction exercises, employer discretionary arrangements and auto enrolment queries.

An employer training event on the new scheme was held on 4 December 2014 which was well attended. Team members gave presentations on the key features of the new scheme focusing on requirements for payroll and HR sections.

The Annual Employers' Forum held on 9 March 2015 was also well attended. An update on the new scheme was given highlighting the need for each employer to formulate and publish a policy on employer discretionary arrangements. The fund Actuary gave an update on the 2014 valuation. Workshop sessions on aspects of the scheme were then run by team members. Employers had been asked what areas they would like the team to cover and following feedback, sessions were held on the year-end procedure and requirements, new start procedures and paperwork and calculations concerning pensionable pay.

Improved Efficiency through IT Development

Progress has been made in the year in connection with the introduction of a self-service system for employers. The Council's IT Section is liaising with our software supplier to ensure secure web access. The system will integrate with the pension administration system managing the data flow from employers resulting in greater efficiencies.

Internal Dispute Resolution Cases

Any queries from members are directed, in the first instance, to the HR/Payroll and Pension Transaction Team to resolve. If a member is still unhappy with the decision then, following dispute rules, the member may ask their case be referred to the Council's Chief Legal Officer, the appointed person, under the dispute framework.

During the year to 31 March 2015, the Chief Legal Officer dealt with 5 cases. 4 cases concerned the employer's refusal to either grant ill health retirement or to bring deferred benefits into payment early on ill health grounds or appeals against the level of ill health benefits awarded. The employer decision was upheld in 2 of these cases. Revised benefits were put into payment for the 2 members who successfully appealed against the employers decision. The remaining case was an appeal regarding the calculation of retirement benefits with the Chief Legal Officer upholding Fife Council's decision

Additional Voluntary Contribution (AVC) Providers

The Fund's AVC providers are Prudential and Standard Life. Following positive feedback from previous AVC information sessions, Prudential delivered in May and September additional sessions on the benefits of paying AVCs.

THE PENSION YEAR

2014 Pension Increase

The UK Government approved the rate of increase for all public sector pension schemes and state scheme benefits at 2.7%, effective from 7 April 2014. The increase was set by reference to the Consumer Price Index at September 2013.

Legislation

Primary Legislation - The Public Service Pension Act 2013

The Act, which came into force on 25 April 2013, provided the legislative background for the establishment of the Local Government Pension Scheme 2015.

The Act also set out requirements for scheme governance and administration to ensure transparency and accountability in accordance with recommendations made by Lord Hutton's Independent Public Service Pensions Commission.

In addition to the requirement to set up a Pension Board (which is covered in the section 'The Fund and How it is Governed'), the Act provided for greater regulatory oversight of the LGPS by the Pensions Regulator website: www.thepensionsregulator.gov.uk.

Accordingly, the Pensions Regulator has issued the following documentation:-

- July 2014 - A quick guide to public service pension boards;
- July 2014 - A quick guide to public service pension board members;
- January 2015 - Regulatory strategy - public service pension schemes;
- January 2015 - The essential guide to the public service code; and
- April 2015 - Code of practice no.14 - Governance and administration of public service pension schemes.

The Act also introduced an employer cost cap to protect the tax payer from potential increases in cost.

Scheme Specific Legislation

Local Government Pension Scheme (Scotland) Regulations 2014 (SSI 2014/164)

The above regulations were laid before the Scottish Parliament on 9 June 2014 (amendments in accordance with SSI2015/87 were laid before the Scottish Parliament on 2 March 2015) and came into force on 1 April 2015.

The main changes introduced are:-

- the move to a career average benefit scheme from 1 April 2015;
- improved accrual rate of 1/49 of pensionable pay;
- normal pension age aligned to state pension age;
- retention of banded contribution rates;
- introduction of the 50:50 option which allows members to pay half their contribution rate whilst building up 50% of their pension benefits. Death in service cover is unaffected. This flexibility is not designed to replace long term membership of the scheme;
- lump sum death in service cover to remain at three times pensionable pay; and
- pensions to cohabiting partners and civil partners equal to benefits for married couples.

The Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014 (SSI 2014/233)

The above regulations were laid before the Scottish Parliament on 22 August 2014 (amendments in accordance with SSI2015/87 were laid before the Scottish Parliament on 2 March 2015) and came into force on 1 April 2015.

The regulations include the following key provisions:-

- preserve member benefits built under former LGPS regulations;
- retain the final salary link and normal pension age at 65 for benefits built up to 31 March 2015;
- provide an underpin for members born before 1 April 1957 to ensure they do not suffer any detrimental loss following the introduction of the new scheme from 1 April 2015;
- provide for the automatic transfer into the new scheme for all existing members as at 31 March 2015; and
- preserve the rule of 85 for qualifying members retiring voluntarily from age 60 and above and allow an employer to apply the rule of 85 for members retiring voluntarily before age 60.

The Local Government Pension Scheme (Governance) (Scotland) Regulations 2015 (SSI 2015/60)

The above regulations cover the establishment of Pension Boards and the Scheme Advisory Board. The regulations came into force on 1 April 2015.

The Scheme Advisory Board is responsible for providing advice to the Scottish Ministers on the desirability of scheme changes. The board will also provide advice to Funds and Pension Boards on administration and management of the scheme.

Pensions Act 2015 - Freedom and Choice

In the 2014 Budget, the UK Government set out its intention to allow new flexibility to the way that savers can access their defined contribution pension pots from age 55. The Pensions Act 2015 implemented this flexibility from 6 April 2015.

The Local Government Pension Scheme is a defined benefits scheme and therefore this flexibility does not directly apply to LGPS benefits.

However, the Pensions Act 2015 continues to permit transfers from the LGPS to defined contribution schemes. The UK Government acknowledged that freedom and choice flexibility could increase interest among members wanting to transfer benefits to defined contribution arrangements. Therefore, the UK Government introduced safeguards including the requirement for members to get financial advice from a Financial Conduct Authority (FCA) adviser if their Scheme benefits are valued at more than £30,000.

The Local Government Association issued guidance in March 2015 on the impact of 'freedom and choice' on the LGPS which formed the basis for staff training and communications with employers and members.

Reduction to the Lifetime Allowance

The Chancellor announced in his March 2015 Budget that the lifetime allowance will reduce from £1.25m to £1m from 6 April 2016. The lifetime allowance (LTA) is the limit on the total value of pension benefits you can take on retirement without incurring a tax charge. Transitional protection for pension benefits already over £1m will be introduced to ensure the change is not retrospective. The lifetime allowance will be increased annually in line with CPI from 6 April 2018.

INVESTMENT MANAGEMENT ARRANGEMENTS

The fund's assets are invested in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2010. The regulations cover the appointment of fund managers and the use and investment of fund money. The fund is required to take proper advice about its investments.

The Statement of Investment Principles (SIP) (Appendix B) and the Fund's Funding Strategy Statement give more information on the fund's investment framework at the start of the year. The full Funding Strategy Statement can be viewed at www.fifedirect.org.uk/publications/lgps.

The sub-committee has agreed an investment strategy for the fund and set a benchmark. Its deliberations have been supported by professional advisors, Hymans Robertson Investment Consultants.

There were no changes to management arrangements during the financial year.

The sub-committee reviewed the investment strategy of the fund in late March 2013, when it re-affirmed the current low-risk strategic allocation of 80% in growth assets (equities, property, infrastructure and absolute return) and 20% in non-growth assets (bonds). The following is the total fund strategic benchmark currently in place is:-

Asset Class	Allocation %	Benchmark
UK Equities	20	FTSE All Share
Overseas Equities (Baillie Gifford and Lazard Asset Management)	23	MSCI All Countries World Index
Overseas Equities (State Street Global Advisors)	12	FTSE RAFI World 3000 Index
Property	10	HSBC/APUT All Pooled Funds Index
Infrastructure & Absolute Return	15	Cash
Bonds	20	Customised
Total	100	Customised

At 31 March 2015, nine mandates are managed by the investment managers. The investment managers are delegated the responsibility to invest the assets of the fund in accordance with these agreed mandates.

The investment managers at 31 March 2015 are:-

Manager	Mandate	
BlackRock	UK Equities	Passive
State Street Global Advisors	Global Equities	Fundamental Indexation
Baillie Gifford	Global Equities	Unconstrained
Lazard Asset Management	Global Equities	Unconstrained
Henderson Investors	Bonds	
Western Asset Management	Bonds	
CBRE Capital Advisors (formally CBRE Real Estate)	Property	
Partners Group	Infrastructure	
Baillie Gifford	Absolute Return	

The sub-committee monitors the performance of managers with independent performance reports presented to each quarterly meeting and a formal review of arrangements carried out during each Council term.

In February 2012 the sub-committee put in place a framework agreement with a selection of global equity managers from which the sub-committee could draw from and appoint over the next 4 years. The following six managers were appointed to the framework in November 2012:-

- Newton (Global Higher Income);
- M & G (Global Dividend);
- Wellington (Global Value);
- Janus (Global Research Growth);
- Mondrian (Global ACWI); and
- Morgan Stanley (Global Franchise).

The benefit of having a framework from which to draw is that the majority of the tender process has already been completed and it is generally only the final selection and appointment to a mandate which is required. The benefit is, if the sub-committee take the decision to seek a new global equity manager, the appointment can be made in a matter of weeks, rather than months.

Up to 31 March 2015, it has not been necessary to appoint from the framework.

MARKET COMMENTARY

At the start of 2014 organisations, including the International Monetary Fund (IMF), warned that financial markets were detached from reality due to the continued artificial support being provided to economies with quantitative easing. However, despite these warnings, equity markets produced positive returns for the first quarter of the financial year to 30 June 2014.

Globally, the oil and gas sector was the best performer over quarter two, with Utilities also showing strong performance. Financials lost most in the period. The price of crude oil futures ended the quarter up slightly at \$112 per barrel.

In the UK the economy continued to produce good news as figures confirmed that more jobs were created in quarter one than at any time since records began in 1971. Additionally, Mark Carney, Governor of the Bank of England, added his voice to the IMF warning that the housing market posed the biggest risk to the success of the UK recovery. Average house prices had risen by 8% in the year to March 2014, in London the increase was 17%.

The FTSE All Share was up 2.2% in the second quarter. In the Eurozone, things remained quiet. German growth was up, France was stagnant, whilst Italy and the Netherlands contracted. Anti EU parties enjoyed success across the continent in European elections. The unrest in Iraq led to increased volatility in oil, and a 5% rise in oil prices was matched by a 13% drop in European airline shares. Eurozone unemployment remained at 11.6% at the end of April. The FTSE Developed Europe ex UK index returned 0% over quarter two.

In the US, it looked like interest rates were going to be kept low into 2015 as the Fed announced a rebound in economic activity, although figures for quarter 1 did not come up to expectations and it wasn't until quarter 2, that there was a significant improvement. More jobs than expected were created in the period, and unemployment dropped to 6.1%. The FTSE North America returned 2.9% over the second quarter.

By the end of quarter 3, many parts of the world were facing serious issues:-

- Ebola in West Africa was "spiralling out of control" according to President Obama as he sent in 3,000 troops;
- Islamic jihadists Isis were considered a major threat as their reach extended;
- Russia, with its nuclear capability, was a concern, particularly with regards to the Ukraine position; and
- the number of "super-aged" societies, i.e. where more than one in five of the population is over 65, is set to rise from 3 (currently Italy, Germany and Japan) to 13.

The price of crude oil futures had fallen by the end of September to \$95 per barrel. Health Care and Technology were the best performers. The FTSE World was up by 3.1% over the quarter.

The UK economy produced even more good news as the statistical agency announced that the recession was not as severe as first thought and that the recovery was swifter. The economy was now 2.7% bigger than it was before recession hit. Profit warnings were announced by many FTSE 100 companies due to the stronger pound and weaker global growth.

In the Eurozone, GDP was flat over the quarter and as inflation slowed, the central bank reduced their rate to 0.05%. Eurozone unemployment dropped slightly to 11.5% at the end of August.

The Fed reaffirmed that interest rates would not be rising any time soon, US consumer prices fell for the first time in over a year and unemployment dropped to a six year low of 5.9% at the end of quarter 3.

As 2014 drew to a close the headlines focused on the tumbling price of oil. Crude had dropped to \$80 per barrel, the price of crude oil futures ended the quarter approaching 50% down at \$57 per barrel – a five year low. The FTSE World was up by 4.6% in the quarter and was ahead by 11.3% over the year.

Uncertainty surrounding the Greek bailout and, ultimately, their membership of the Eurozone, eased somewhat towards the end of March 2015, as Germany's parliament (whose approval was seen as crucial) voted in favour of extending financial aid by a further 4 months.

The FTSE reached a new record high (breaking through the 7000 barrier) in light of the easing worries about Greece, oil prices and, significantly, expectations of continued helpful monetary policy due to low inflation and stuttering global economic growth. Oil prices ranged between \$46-\$63, significantly less than the \$112 seen at the start of the year.

The UK Consumer Price Index (CPI) fell to just 0.3% in January and the Bank of England suggested that inflation would fall further and could temporarily turn negative. However, Mark Carney, Governor of the Bank of England, believed that the low inflation seen in recent months was temporary and largely due to falling food and oil prices. Importantly, he stated, there was no evidence of deferred consumption, a damaging symptom of deflation, but noted that the Monetary Policy Committee remained vigilant to the downside risks and would cut interest rates if necessary. Utilities lost most during the quarter in the UK, whilst consumer services gained the most.

The US joined much of Europe in experiencing negative inflation, with the annual inflation rate falling to -0.1% in January. The Federal Reserve's Janet Yellen reported that they were 'flexible on rates' with unemployment still too high and wage growth sluggish. This had a buoyant effect on US equities with both the Dow & Standard & Poor's (S&P) reaching record highs. The dollar remained very strong, making exports less attractive.

In Japan, the government called on big companies to spend some of their "excessive" cash reserves. Basic pay rose at its fastest pace in 15 years. The FTSE Japan returned 16.4% in the quarter. Gold was flat over the quarter.

The last 12 months has seen significant security issues in the world, continued uncertainty in economies and a substantial fall in oil prices. All of this will have a major impact on the months and years to come.

PERFORMANCE COMMENTARY

The fund has returned 14.07% in the year and had another year of outperformance against the benchmark. The return for the 12 months of 14.07% outperforms the composite benchmark of 13.82% by 0.25% (Net of Fees). The fund now outperforms across all periods up to and including 3 years with the 3 year return being 10.51% against a benchmark of 9.93% (net of fees).

The combined asset value of funds invested at the end of March 2015 totalled £1.830bn, an increase of £241m since the start of the financial year.

During the year, in equities the following happened:-

- Blackrock, the UK passive manager, produced marginally above the benchmark return mandated;
- Baillie Gifford's Long Term Global Growth mandate, with their unconstrained global equity mandate, had an excellent 12 months with a return of 26.44% against benchmark of 19.07%. Over 3 years they have achieved a return of 18.03% against the benchmark of 14.97%, an excess return above benchmark of 3.06% per annum over the 3 years and in excess of their target of benchmark +2.5%; and
- Lazard, the second unconstrained manager, has recovered some ground, outperforming over the 12 months with a return of 19.20% against their benchmark of 19.07%. They are still behind over the 3 year period with 12.69% versus 14.97% benchmark, an underperformance of 2.28%. Since their appointment in late 2006, they remain ahead of benchmark by 0.44%.

The bond managers hold 15% of the fund assets (against a benchmark of 20%) and points to note on these assets are:-

- Western underperformed their benchmark in the year, 13.48% against a benchmark of 13.94%, although they maintain a slight outperformance over the longer 3 year period of 0.35%; and
- in the year, Hendersons were also behind their benchmark returning 14.84% against a benchmark of 15.64%. Their 3 year return is however slightly behind the benchmark, 6.87% versus 7.00%.

Of the remaining mandates, the following matters are worth noting:-

- CBRE's property portfolio contributed 15.17% to the overall fund return in the year but was behind the benchmark of 16.64% in the 12 months to March 2015. They are in a similar position in the 3 year period returning 7.98% versus a benchmark of 9.64%;
- the Baillie Gifford Diversified Growth mandate (the absolute returns type fund), returned 8.10% against our benchmark of 0.50% in the year and returned 6.57% against the benchmark of 0.50% in the 3 years;
- State Street Global Investors were funded in November 2013 in their RAFI Fundamental Indexation Fund. They are slightly behind their benchmark with a return of 14.69% against their benchmark of 14.92%;
- infrastructure is managed by Partners Group and we continue to gradually fund their mandate to the extent of 5% of the Fund. Currently, approximately 1.5% of the fund value is invested in infrastructure funds. Some cash is held for future investment in infrastructure and is in the Standard Life Investments Liquidity Fund, (formerly called the IGNIS Sterling Liquidity Fund); and
- additional, uncommitted cash is also held in the Northern Trust Sterling Liquidity Fund and the strategy for this cash is currently under consideration and should be complete by 31 March 2016.

(All performance reported above is Net of Fees)

ACTUARIAL STATEMENT

This statement has been prepared in accordance with Regulation 31A(1)(d) of the Local Government Pension Scheme (Scotland) (Administration) Regulations 2008, and Chapter 6 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2014/15. It has been prepared at the request of the Administering Authority of the fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the administering authority's Funding Strategy Statement (FSS). In summary, the key funding principles are as follows:-

- to ensure the long-term solvency of the fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the fund and keeping employer contributions stable. For employers whose covenant was considered by the administering authority to be sufficiently strong, contributions have been stabilised below the theoretical rate required to return their portion of the fund to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still a better than 2/3rds chance that the fund will return to full funding over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 32 of the Local Government Pension Scheme (Scotland) (Administration) Regulations 2008 was as at 31 March 2014. This valuation revealed that the fund's assets, which at 31 March 2014 were valued at £1.589bn, were sufficient to meet 87.8% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2014 valuation was £221m.

Individual employers' contributions for the period 1 April 2015 to 31 March 2018 were set in accordance with the fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the valuation report dated 31 March 2015. The report can be viewed at www.fifedirect.org.uk/publications/lgps.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2014 valuation were as follows:-

Financial Assumptions	31 March 2014	
	% p.a. Nominal	% p.a. Real
Discount rate	5.10%	2.40%
Pay increases	3.70%	1.00%
Price inflation/Pension increases	2.70%	-

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI_2012 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a.. Based on these assumptions, the average future life expectancies at age 65 are as follows:-

	Males	Females
Current Pensioners	22.0 years	23.7 years
Future Pensioners*	24.1 years	26.4 years

* Currently aged 45.

Copies of the 2014 valuation report and Funding Strategy Statement are available on request from Fife Council, the Administering Authority to the fund.

Experience over the period since April 2014

Experience has been worse than expected over the year to 31 March 2015 (excluding the effect of any membership movements). Real bond yields have fallen dramatically and the effect of this has been only partially offset by the effect of strong asset returns, meaning that funding levels are likely to have worsened and deficits increased over this period.

The next actuarial valuation will be carried out as at 31 March 2017. The Funding Strategy Statement will also be reviewed at that time.

Geoff Nathan FFA

Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP
05 May 2015

Hymans Robertson LLP
20 Waterloo Street
Glasgow
G2 6DB

STATEMENT OF RESPONSIBILITIES FOR THE PENSION FUND ACCOUNTS

THE ADMINISTERING AUTHORITY'S RESPONSIBILITIES

The authority is required:-

- to make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the authority has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this Authority, that officer is the Executive Director Finance and Corporate Services;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003); and
- to consider the unaudited accounts no later than 31 August and to approve the audited accounts by 30 September.

I confirm that these Annual Accounts were approved for signature by the Chair of the Superannuation and Pension Fund Sub-committee on 28 September 2015.

Signed on behalf of Fife Council

Councillor William Campbell
Chair of the Superannuation and Pension Fund Sub-committee
28 September 2015

STATEMENT OF RESPONSIBILITIES FOR THE PENSION FUND ACCOUNTS (cont'd)

RESPONSIBILITIES OF EXECUTIVE DIRECTOR FINANCE AND CORPORATE SERVICES

The Executive Director Finance and Corporate Services is responsible for the preparation of the authority's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing the statement of accounts, the Executive Director Finance and Corporate Services has:-

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation; and
- complied with the local authority Accounting Code (in so far as it is compatible with legislation).

The Executive Director Finance and Corporate Services has also:-

- kept adequate accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of the Pension Fund at the reporting date and the transactions of the Pension Fund for the year ended 31 March 2015.

Brian Livingston, MBA CPFA
Executive Director Finance and Corporate Services
28 September 2015

THE PENSION FUND ACCOUNTS

2013-14 £m	Net Assets Statement as at 31 March 2015		2014-15		
			UK £m	Overseas £m	Total £m
	Investment Assets				
49.831	Fixed Interest Securities	- Public Sector	37.889	13.827	51.716
54.232		- Other	42.695	20.369	63.064
444.297	Equities	- Quoted	34.342	509.017	543.359
0.000		- Unquoted	0.000	0.000	0.000
28.271	Index Linked Securities	- Public Sector	31.609	6.120	37.729
0.289		- Other	0.333	0.000	0.333
145.717	Pooled Investment Vehicle:	- Unit Trusts - Property	165.952	0.000	165.952
264.003		- Unit Trusts - Other - Quoted	297.390	0.000	297.390
0.000		- Unit Trusts - Other - Unquoted	0.000	0.000	0.000
25.156		- Other Mgd Funds - Property	0.000	30.670	30.670
192.063		- Other Mgd Funds - Other	220.271	0.000	220.271
325.918		- Managed Insurance Fund	347.469	0.000	347.469
5.619	Derivative Contracts		(3.743)	5.784	2.041
56.286	Cash Deposits		82.009	(12.837)	69.172
2.625	Other Investments	- Other	0.000	2.710	2.710
	Investment Liabilities				
(5.619)	Derivative Contracts - Liability		3.743	(5.784)	(2.041)
1,588.688			<u>1,259.959</u>	<u>569.876</u>	<u>1,829.835</u>
	Current Assets				
2.823	Contributions due from Employers			1.884	
1.355	Cash Balances			1.994	
0.308	Central Government Debtors			0.473	
2.512	Other Debtors			2.563	6.914
	Current Liabilities				
(3.981)	Unpaid Benefits			(2.501)	
(2.285)	Other Current Liabilities			(3.360)	(5.861)
0.732	Net Current Assets & Liabilities				1.053
1,589.420	Net assets of the scheme available to fund benefits at 31 March 2015				1,830.888

The unaudited financial statements were issued on 30 June 2015 and the audited financial statements were authorised for issue by Brian Livingston, Executive Director Finance and Corporate Services on 28 September 2015.

Brian Livingston, MBA CPFA
Executive Director Finance and Corporate Services
28 September 2015

1 STATEMENT OF ACCOUNTING POLICIES

1.1 General

These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15, (the Code) which incorporates the International Financial Reporting Standards, in particular International Accounting Standard (IAS) 26 Retirement Benefit Plans, the accounting standard applicable for Pension Funds. The Code also adopts parts of the Financial Reports of Pension Schemes - Statement of Recommended Practice 2007, such as the format of the accounting statements.

1.2 Accruals

In accordance with the Code, the Accounts and related Statements have been compiled on an accruals basis. Accruals are made for all material debtors and creditors within the accounts. An exception to the accrual principle is in relation to pension transfer values received and or paid out, where these are accounted for on a cash basis as required by the Statement of Recommended Practice on Pension Fund Accounts.

1.3 Valuation of Investments

Quoted investments are generally valued at closing prices; these prices may be the last trade prices or bid prices, depending on the convention of the stock exchange or other market on which they are quoted. Overseas investments and cash are stated in sterling using exchange rates at close of business.

1.4 Foreign Currency Transactions

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date.

1.5 Contributions and Benefits

Contributions and benefits are accounted for in the period in which they fall due. Normal contributions received during the year have been in accordance with Scheme rules and Actuary recommendations.

1.6 Transfer Values

Transfers of pension benefits between the Local Government Scheme and other schemes for new employees and former employees, is on a cash basis, the amount of transfer having been agreed between both parties.

1.7 Investment Income

Dividends and interest are accounted for when the securities are quoted ex-dividend. Interest on bank deposits is accounted for as it accrues.

1.8 Administrative and Investment Management Expenses

Administrative expenses and investment management expenses are met by the Fund directly on a negotiated basis and accrued in full each year. These expenses now reflect direct and indirect costs, including those deducted directly from capital, which is a change in accounting policy from previous years.

1.9 Cash and Cash Equivalents

Cash is defined as cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.10 VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

1.11 Taxation

The fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

1.12 Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised on the date the fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised by the fund.

1.13 Financial Liabilities

Financial liabilities are included in the net assets statement on a fair value basis as at the reporting date. A financial liability is recognised on the date the fund becomes party to the liability. From this date, any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

1.14 Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards.

As permitted under IAS26, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of note to the net asset statement (Note 11).

1.15 Additional Voluntary Contributions (AVC)

All local government Pension Funds have an arrangement where members can invest money, deducted directly from pay, through an AVC provider to increase pension benefits. Fife Council's current AVC providers are Standard Life and Prudential. Former providers, Clerical Medical and Equitable Life, no longer accept new admissions.

1.16 Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Derivative contract assets are fair value at bid prices and liabilities fair value at offer prices. Changes in the fair value of derivative contracts are included in change in market value.

The value of future contracts is determined using exchange prices at the reporting date. Amounts due from, or owed, to the broker are the amounts outstanding in respect of the initial margin and variation margin.

2 BASIS OF PREPARATION

The statement of the accounts summarises the fund's transactions for the 2014-15 financial year and its position at the year end as at 31 March 2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on International Accounting Standard (IAS) 19 basis, is disclosed at Note 11 of these accounts.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Pension Fund Liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in the Actuarial Statement.

Unquoted Infrastructure Investments

It is important to recognise the highly subjective nature of determining the fair value of infrastructure investments. This is based on forward-looking estimates and judgements that involve many factors and is valued by the investment manager using generally accepted valuation principles. The value of infrastructure investments held by Fife Council Pension Fund at 31 March 2015 was £28m (£21m at 31 March 2014).

4 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The statement of accounts contains estimated figures that are based on assumptions made by the fund about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of judgements, for example in relation to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and the expected returns on pension fund assets. The fund employs an Actuary to provide expert advice on these assumptions.	The judgements mentioned are all under review, therefore there is a possibility that the valuation of £2.623bn in Note 11 for the “actuarial present value of the promised retirement benefits” could be under or over stated in the note.
Infrastructure Investments	Infrastructure investments are based on valuations provided by the manager of the funds in which the Pension fund has invested. The valuation is based on forward-looking estimates and judgements that involve many factors and is valued by the investment manager using generally accepted valuation principles. These investments are not publicly listed and as such there is a degree of estimation in their valuation.	The fund has a total of £28m included for infrastructure investments. There is a risk that this could be under or over stated in the accounts.
Investment expenses deducted from capital	Quantification of investment management expenses deducted from the capital value of investments involves asking the relevant managers for information and only some of this information can be independently verified. Where the charges relate to an investment as a whole, an estimate is made of the costs applicable to the holding owned by Fife Council Pension Fund.	There is a risk that the cost of investment management expenses deducted from capital may be under or overstated. However, as the costs are included in the fund account by adjusting the change in market value of investments, any inaccuracy in the cost estimate will not change the reported net change in the fund for the year.

5 FUND INVESTMENTS

The value of investment assets has increased by £241.147m in the year. Details on market and fund performance can be found earlier within the Annual Report.

The change in value in the year is analysed as follows:-

	Value at 1 April 2014	Purchases (at cost) and Derivative Payments	Sales Proceeds and Derivative Receipts	Unrealised Change in Value	Movement in Cash Deposits	Value at 31 March 2015
	£m	£m	£m	£m	£m	£m
Fixed interest securities	104.064	49.459	(30.237)	(8.505)		114.781
Equities	444.297	87.461	(49.945)	61.545		543.358
Index-linked securities	28.560	9.241	(4.858)	5.119		38.062
Pooled investment vehicles	952.856	42.082	(17.441)	84.255		1,061.752
Derivative contracts - Assets	5.619			(3.578)		2.041
Derivative contracts - Liabilities	(5.619)			3.578		(2.041)
	1,529.777	188.243	(102.481)	142.415	0.000	1,757.953
Cash deposits	56.286				12.886	69.172
Other investment balances	2.625			0.085		2.710
Total Investment Assets	1,588.688	188.243	(102.481)	142.499	12.886	1,829.835

The above includes : Aquila Life UK Equity Index Fund, valued at £347.5m, managed by Blackrock Investment Management (UK) Ltd; Baillie Gifford Diversified Growth Fund, valued at £159.7m, managed by Baillie Gifford; and MPF Fundamental Index Global Equity Fund, valued at £220.3m, managed by State Street Global Advisors. These investments each exceed 5% of the total value of net assets.

Details of Derivative contracts held at 31 March 2015 are summarised below:-

	Settlement Date	Economic Exposure	
		Assets	Liabilities
		£m	£m
Fixed Income Futures			
EURX EUR-BOBL	June 2015	3,090	(3,090)
LIF LONG GILT	June 2015	(11,471)	11,471
LIF LONG GILT	June 2015	7,728	(7,728)
10 YR TREASURY NOTES	June 2015	868	(868)
5 YR TREASURY NOTES	June 2015	3,482	(3,482)
US TREASURY BONDS	June 2015	(1,656)	1,656
		2,041	(2,041)

The economic exposure represents the notional value of securities purchased under the future contract and therefore the value subject to market movements. All futures contracts are exchange traded. The fund uses futures for the purposes of efficient portfolio management and/or risk reduction and/or interest rate exposure.

Transaction costs are included in the cost of purchases and sale proceeds. These include costs charged directly to the fund such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £0.099m (2013-14 £0.440m). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on some pooled investment vehicles.

At 31 March 2015, £79.650m (31 March 2014 £60.810m) of stock was released to a third party under a stock lending agreement. The related collateral held to cover the lending was in the form of Equities and Government Securities.

2013-14 Comparative Figures

The change in value in the year is analysed as follows:-

	Value at 1 April 2013	Purchases (at cost) and Derivative Payments	Sales Proceeds and Derivative Receipts	Unrealised Change in Value	Movement in Cash Deposits	Value at 31 March 2014
	£m	£m	£m	£m	£m	£m
Fixed interest securities	102.621	93.471	(69.739)	(22.290)		104.063
Equities	537.855	332.006	(241.635)	(183.929)		444.297
Index-linked securities	31.390	7.857	(8.644)	(2.043)		28.560
Pooled investment vehicles	735.104	29.017	(13.480)	202.216		952.857
Derivative contracts - Assets	8.370			(2.751)		5.619
Derivative contracts - Liabilities	(8.370)			2.751		(5.619)
	1,406.970	462.351	(333.498)	(6.046)	0.000	1,529.777
Cash deposits	67.426				(11.140)	56.286
Other investment balances	3.601			(0.976)		2.625
Total Investment Assets	1,477.997	462.351	(333.498)	(7.022)	(11.140)	1,588.688

Details of Derivative contracts held at 31 March 2014 are summarised below:-

	Settlement Date	Economic Assets	Exposure Liabilities
		£m	£m
Fixed Income Futures			
	EURX EUR-BOBL	4.042	(4.042)
	LIF LONG GILT	(7.996)	7.996
	LIF LONG GILT	6.134	(6.134)
	10 YR T-NOTES	0.371	(0.371)
	5 YR T NOTE	3.068	(3.068)
		5.619	(5.619)

6 FUND MANAGEMENT

The Managers of the fund are Western Asset Management, Blackrock Investment Management (UK) Limited, (formerly Barclays Global Investors) (all appointed 2003), CBRE Global Investors (formerly ING Real Estate) (appointed 2004), Baillie Gifford (long term Global Equities), Lazard Asset Management and Henderson Global Investors (all appointed 2007), Partners Group, Baillie Gifford (Diversified Growth Fund) (all appointed 2011) and State Street Global Advisors (appointed 2013).

The market value of investments at 31 March 2015 at bid price is analysed by Fund Manager and Mandate as follows:-

2013-14		Manager	Mandate	2014-15	
£m	%			£m	%
148	9.3	Baillie Gifford	Absolute Return	160	8.8
148		Total Absolute Return Investments		160	
		Bonds			
123	7.7	Henderson Global Investors	Global Bonds	141	7.7
131	8.3	Western Asset Management	Global Bonds	149	8.1
254		Total Bonds		290	
		Equities			
199	12.5	Baillie Gifford	Global Equities-Unconstrained	251	13.7
326	20.5	Blackrock Investment Management (UK) Limited	UK Equities-Passive	348	19.0
259	16.3	Lazard Asset Management	Global Equities-Unconstrained	308	16.8
192	12.1	State Street Global Advisors	Global Equities	220	12.0
976		Total Equities		1,127	
		Infrastructure			
21	1.3	Partners Group	Infrastructure	28	1.5
21		Total Infrastructure		28	
		Property			
164	10.3	CBRE Global Investors	UK and European Property	188	10.3
164		Total Property		188	
11	0.7	IGNIS Sterling Liquidity Fund		3	0.2
15	1.0	Northern Trust Money Market Fund		34	1.9
1,589	100.0	Total Net Assets		1,830	100.0

7 INVESTMENT INCOME AND MANAGEMENT COSTS

Investment income received in the year totalling £22.736m is analysed as follows:-

2013-14		2014-15
£m		£m
4.069	Fixed interest securities	4.135
8.953	Equity dividends	6.491
0.296	Index-linked securities	0.315
6.782	Pooled property investments	8.647
2.386	Pooled investments	2.406
0.305	Interest on cash deposits	0.527
0.224	Other	0.215
<u>23.015</u>		<u>22.736</u>

The following costs were incurred in managing the fund for the period ending 31 March 2015:-

2013-14		2014-15
£m		£m
1.007	Administrative costs	1.877
0.151	Oversight and governance costs	0.386
	Investment management expenses	
3.547	Direct costs:-	3.179
3.737	Indirect costs:-	4.240
<u>8.442</u>		<u>9.682</u>

The fund account reflects the direct charges of the fund. This note has been prepared following a change in accounting policy, under which we are required to fully disclose all costs, including those deducted direct from capital. The 2013-14 figures have been restated to reflect this change in accounting policy.

In addition to the costs deducted from capital, indirect costs are incurred through the bid-offer spread on investments' sales and purchases, and are reflected in the cost of investment acquisitions and in the proceeds from the sale of investments. The change in value of investments in 2014-2015 is shown in note 5 of this report.

Direct investment management expenses above includes £0.564m in respect of performance-related fees (2013-2014 £0.874m). (It should be noted that £0.045m direct investment management expenses relating to 2013-2014 were paid in 2014-2015).

Oversight and governance costs for 2014-15 includes £0.051m relating to 2013-14.

8 STATEMENT OF INVESTMENT PRINCIPLES

A Statement of Investment Principles has been prepared in accordance with the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) regulations 1998, as amended. This statement, last updated in May 2014, is provided to the fund's investment managers, who are required to follow the principles that it sets out, and to report showing how they have done so. The statement can be found at Appendix B to the Annual Report.

9 ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)

In accordance with Pension Fund regulations, AVC investments are invested separately from the Pension Fund in the form of individual accounts and policies securing additional benefits for those members electing to pay additional voluntary contributions. Members participating in this scheme receive an annual statement confirming the amounts held in the AVC account and their movements in the year. These investments are not contained within the Pension Fund accounts but for information the aggregate amounts, which are invested by third parties, are listed below:-

2013-14 Fund Value		2014-15 Fund Value	
Contributions 31 March 2014		Contributions 31 March 2015	
£m	£m	£m	£m
0.193	1.150 Standard Life	0.163	1.292
0.499	1.102 Prudential	0.590	1.468
0.000	0.181 Clerical Medical	0.000	0.144
0.000	0.213 Equitable Life	0.000	0.183
0.692	2.646	0.753	3.087

There were no significant net transfers in and out of the schemes during the year.

10 RELATED PARTY TRANSACTIONS

Fife Council, the administering authority of the fund, also provides support services for the fund and in 2014-15 charged £1.865m, (2013-14 £0.991m) for those services. It should be noted that £0.400m charged in 2014-15 related to 2013-14.

Fife Council paid employers' contributions to the Pension Fund of £56.424m (2013-14 £55.031m) and collected and paid over employee's contributions of £14.784m (2013-14 £14.733m).

A remuneration report providing disclosures in respect of elected members and chief officers of the council, including those with authority and responsibility for the Fife Council Pension Fund is included in Fife Council's Annual Report and Financial Statements which are available from the council's website at www.fifedirect.org.uk/budgetandfinance/annualaccounts

11 ACTUARIAL VALUATION

Employees' contributions are fixed by statute and employers' basic contributions are assessed every three years by an actuary. The last valuation of the fund was carried out as at 31 March 2014 by Hymans Robertson and the actuarial statement, including assumptions made in the calculations, is contained in this Annual Report.

Adjustments have been made to the common rate of employers' contribution to take account of certain circumstances that are peculiar to individual employers and the minimum level of contributions for each employer is detailed in the report. For Fife Council it was recommended that the employer's contribution rate increase from the 21.8% (of payroll), effective during the year ended 31 March 2015, to 22.7% with effect from 1 April 2015, to 23.6% with effect from 1 April 2016 and to 24.5% with effect from 1 April 2017.

The actuary also undertakes a valuation of present value of promised retirement benefits, an equivalent calculation which shows employers' future liability to pay pensions earned at the balance sheet date, in accordance with IAS19. It is essentially a snapshot which captures the liability at a specific point in time only and should not be used for comparing against liability measures on a funding basis. The liabilities have been projected using a roll forward from the latest formal fund triennial valuation at 31 March 2014, with no allowance for future unfunded benefits.

31 March 2014		31 March 2015
£2,389.000m	Present Value of Promised Retirement Benefits	£2,623.000m
	Rate increases assumed in the calculation: -	
2.80%	- Inflation / pension increase rate	2.40%
1.00%	- Salary increase rate	3.50%
4.30%	- Discount rate	3.20%

	Males	Females
Future life expectancies assumed in the calculation: -		
- Current Pensioners	22.0 years	23.7 years
- Future Pensioners	24.1 years	26.4 years

12 CONTRIBUTORS AND PENSIONERS

2013-14		2014-15	
Contributors	Pensioners	Contributors	Pensioners
14,040	9,976 Fife Council	14,091	10,356
2,050	550 Scheduled and Admitted Bodies	2,039	658
16,090	10,526	16,130	11,014

13 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The fund holds various classes of assets ranging from cash held in bank accounts, through equities to various less liquid assets like property and infrastructure fund investments. This allows current liabilities i.e. current pension commitments to be paid in full, with ease and certainty.

The fund's primary long-term risk is that the fund's assets will fall short of its liabilities. In other words that there will not be sufficient funds realised from any future sale of assets to meet future pension payments. The aim of risk management is therefore to minimise the risk of a fall in the value of the fund and to maximise the opportunity for gains. This is achieved by asset diversification. This note looks at the nature and extent of risks arising from, in particular, investment in financial instruments.

The following are the key risks identified as relating to financial instruments:-

- Liquidity risk
- Credit risk
- Market risk
 - currency risk
 - interest rate risk
 - other price risk

Liquidity Risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. Officers ensure that the fund has adequate cash resources to meet ongoing pensioner payroll costs and investment commitments.

The fund's cash holding at 31 March 2015 was £39.2m (31 March 2014 £27.3m). This was held with the following institutions:-

Summary	Rating	Balances as	Balances as
		at 31 March 2015 £m	at 31 March 2014 £m
Money Market Funds			
IGNIS Sterling Liquidity Fund	AAA	3.349	10.811
Northern Trust Cash Current Account (including interest)	Aaa-MF (Moody's)	33.859	15.118
Bank Current Accounts			
Royal Bank of Scotland	A-3	1.994	1.355
Total		39.202	27.284

The fund has immediate access to its cash holdings.

Management prepares periodic cash flow forecasts to understand and manage the timing of the fund's cashflows. The appropriate strategic level of cash balances to be held forms part of the fund investment strategy.

The Investment Liabilities at 31 March 2015 are due to settle in June 2015.

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market value of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is provided for in the fund's financial assets and liabilities.

In essence, the fund's entire investment portfolio is exposed to some form of credit risk, but the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through failure to settle a transaction in a timely manner. Deposits are not made with banks and financial institutions unless they are rated independently and meet the Pension Fund's credit criteria. The Fund invests in the money markets to provide diversification.

The Fund believes it has managed its exposure to credit risk and has had no experience of default or uncollectible deposits over the past year.

Market Risk

Market risk is the risk of loss from fluctuations in prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis. The diversification of the portfolio is reflected in the fund's investment strategy; the current strategy, as agreed by the Superannuation Fund and Pensions sub-committee, is detailed in the Statement of Investment Principles at Appendix B of this Report.

The subdivisions of market risk can be measured and the following tables provide an estimate of the potential volatility the fund is exposed to through the three components of market risk i.e. price, interest rate and exchange rate.

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments denominated in any currency other than £UK. The fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

Currency risk is monitored for the fund by its investment managers.

Following analysis of historical data, in consultation with the fund's investment advisors, the fund considers the likely volatility associated with foreign exchange rate movements to be 13%.

A 13% fluctuation in currency is considered reasonable, based on the fund advisor's analysis of long-term historical movements in the month-end exchange rates over a rolling thirty six month period. The total fund volatility takes into account the expected interactions between the different asset classes shown, based on the underlying volatilities and correlations of the assets, in line with mean variance portfolio theory.

The tables below summarise the fund's currency exposure as at 31 March 2015 and 31 March 2014 and the impact of a 13% increase/decrease in the value of the pound on the fund's asset classes.

Market Risk - currency risk 31 March 2015			
	Asset Value	Asset Value on increase of 13%	Asset Value on decrease of 13%
Currency Exposure-asset type	£m	£m	£m
Fixed Interest Securities	34.196	38.641	29.751
Overseas Equities	509.017	575.189	442.845
Index Linked Securities	6.120	6.916	5.324
Property	30.670	34.657	26.683
Cash	(12.837)	(14.506)	(11.168)
Other	2.710	3.063	2.357
	569.876	643.960	495.792

Market Risk - currency risk 31 March 2014			
	Asset Value	Asset Value on increase of 13%	Asset Value on decrease of 13%
Currency Exposure-asset type	£m	£m	£m
Fixed Interest Securities	23.059	26.057	20.061
Overseas Equities	417.588	471.874	363.302
Unit Trusts	0.000	0.000	0.000
Property	25.157	28.427	21.887
Cash	(3.113)	(3.518)	(2.708)
Other	2.625	2.966	2.284
	465.316	525.806	404.826

Interest Rate Risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. Investments are subject to interest rate risks, which represent the risk that the value, or future cash flows, of a financial instrument will fluctuate because of changes in market interest rates.

The fund's interest rate risk is monitored for the fund by its investment managers. The Council recognises that interest rates vary and can affect both income to the fund and the value of the net assets available to pay benefits. A 1.1% movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The fund's investment advisor has advised that long-term average rates are expected to move less than 1.1% from one year to the next.

The fund's exposure to interest rate movements as at 31 March 2015 and 31 March 2014 is set out in the tables below. The total fund volatility takes into account the expected interactions between the different asset classes shown, based on the underlying volatilities and correlations of the assets, in line with mean variance portfolio theory.

Market Risk - interest rate risk 31 March 2015				
Asset Class	Duration (years)	Asset Values assumed £m	Decrease in Value if assumed increase in interest rate of 1% £m	Increase in Value if assumed decrease in interest rate of 1% £m
Corporate Bonds (medium term) *	7.8	101.8	(7.94)	7.94
Corporate Bonds (long term) **	12.4	27.6	(3.42)	3.42
UK fixed gilts (short term)	2.0	15.6	(0.31)	0.31
UK fixed gilts (medium term)	7.8	29.4	(2.29)	2.29
UK fixed gilts (long term)	18.1	25.1	(4.54)	4.54
UK index linked gilts (short term)	2.4	1.2	(0.03)	0.03
UK index linked gilts (medium term)	9.6	8.5	(0.82)	0.82
UK index linked gilts (long term)	23.6	66.8	(15.76)	15.76

* includes exposure to Overseas Bonds (£36m).

** includes exposure to Overseas Bonds (£2.5m).

Market Risk - interest rate risk 31 March 2014				
Asset Class	Duration (years)	Asset Values assumed £m	Decrease in Value if assumed increase in interest rate of 1% £m	Increase in Value if assumed decrease in interest rate of 1% £m
Corporate Bonds (short term)	0.9	5.6	(0.05)	0.05
Corporate Bonds (medium term) *	8	120.9	(9.67)	9.67
Corporate Bonds (long term)	13.5	2.3	(0.31)	0.31
UK fixed gilts (medium term)	7.7	52.6	(4.05)	4.05
UK fixed gilts (long term)	16.3	7.4	(1.21)	1.21
UK index linked gilts (long term)	20.6	66.4	(13.68)	13.68

* includes exposure to Overseas Bonds (£23.1m).

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The fund's investment managers mitigate other price risk through diversification. The selection of investments is monitored by the Council to ensure it is within limits specified in the fund's investment strategy.

Hymans Robertson, investment consultants, provided an assessment of risks relating to currency, interest rate and other price risks. Their assessment has been applied to the appropriate assets of the fund and the potential volatility in asset values calculated.

Market Risk - other price risk 31 March 2015					
Asset Class	1 year expected volatility (%)	% of Fund	Asset Values assumed £m	Value on increase £m	Value on decrease £m
UK Equities	17.00	21.40	392.10	458.76	325.44
Global Equities	20.10	39.80	729.60	876.25	582.95
Infrastructure	15.90	1.50	27.90	32.34	23.46
Property	14.70	9.10	165.80	190.17	141.43
Corporate Bonds (medium term)	9.50	5.60	101.80	111.47	92.13
Corporate Bonds (long term)	18.00	1.50	27.60	32.57	22.63
UK fixed gilts (short term)	3.00	0.90	15.60	16.07	15.13
UK fixed gilts (medium term)	6.70	1.60	29.40	31.37	27.43
UK fixed gilts (long term)	12.20	1.40	25.10	28.16	22.04
UK index linked gilts (short term)	2.20	0.10	1.20	1.23	1.17
UK index linked gilts (medium term)	4.80	0.50	8.50	8.91	8.09
UK index linked gilts (long term)	8.60	3.60	66.80	72.54	61.06
Cash	0.60	4.30	78.70	79.17	78.23
Absolute Return/Diversified Growth	12.00	8.70	159.70	178.86	140.54
		100.00	1,829.80		

Market Risk - other price risk 31 March 2014					
Asset Class	1 year expected volatility (%)	% of Fund	Asset Values assumed £m	Value on increase £m	Value on decrease £m
UK Equities	16.60	23.40	371.00	432.59	309.41
Global Equities	19.40	38.00	604.20	721.41	486.99
Infrastructure	15.90	1.30	21.10	24.45	17.75
Property	14.70	10.30	163.40	187.42	139.38
Corporate Bonds (short term)	7.20	0.30	5.60	6.00	5.20
Corporate Bonds (medium term)	9.60	7.60	120.90	132.51	109.29
Corporate Bonds (long term)	18.00	0.10	2.30	2.71	1.89
UK fixed gilts (medium term)	6.90	3.30	52.60	56.23	48.97
UK fixed gilts (long term)	12.30	0.50	7.40	8.31	6.49
UK index linked gilts (long term)	8.50	4.20	66.40	72.04	60.76
Cash	0.60	1.70	26.30	26.46	26.14
Absolute Return/Diversified Growth	11.80	9.30	147.50	164.91	130.10
		<u>100.00</u>	<u>1,588.70</u>		

The total fund volatility takes into account the expected interactions between the different asset classes shown, based on the underlying volatilities and correlations of the assets, inline with mean variance portfolio theory.

The Fund Asset Value at 31 March 2015 was £1.830bn. The 1 year expected volatility was 12.4% at 31 March 2015, meaning the 'value on increase' would be £2.057bn and the 'value on decrease' would be £1.603bn.

14 EVENTS AFTER THE BALANCE SHEET DATE

There have been no events since 31 March 2015, and up to the date when these accounts were authorised that require any adjustments to these accounts.

15 CONTINGENT ASSETS AND LIABILITES

At 31 March 2015 there were no contingent assets and no contingent liabilities.

16 IMPAIRMENT LOSSES

No impairment losses have been identified during the year.

17 ACCOUNTING STANDARDS ISSUED, NOT YET ADOPTED

The code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

Accounting Standards not yet adopted are:-

- IFRS 13 Fair Value Measurement (May 2011);
- IFRIC 21 Levies; and
- Annual Improvements to IFRS 2011-2013 Cycle.

The code requires implementation from 1 April 2015 and therefore no impact on the 2014-15 financial statements.

IFRS 13 replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and those where the timing and amount of the levy is certain. IFRS improvements are generally minor, principally providing clarification. Overall these new or amended standards are not expected to have a significant impact on the financial statements.

ANNUAL GOVERNANCE STATEMENT

Role and responsibilities

Fife Council has statutory responsibility for the administration of the Local Government Pension Scheme for Fife Council and scheduled and admitted bodies in Fife.

The main functions are the management and investment of the Fife Council Pension Fund (the fund) and the administration of scheme benefits. These functions are carried out in accordance with the Local Government Pension Scheme (Scotland) Regulations.

Delegation

Fife Council delegates all pension scheme matters to the Superannuation Fund and Pensions Sub-Committee.

Scope of Responsibility

The sub-committee oversees the supervision and administration of the Fund's investments, sets out the Investment Strategy, appoints Investment Managers and also has regard to all pension scheme matters. The sub-committee's Terms of Reference are detailed in Fife Council's Scheme of Administration which can be viewed at:

www.fifedirect.org.uk/uploadfiles/publications/c64_SchemeofAdministration2014.pdf

The fund is governed by the Local Government Pension Scheme (Scotland) Regulations. These include requirements for the preparation of a number of key documents including a Statement of Investment Principles (Appendix B) and a Funding Strategy Statement. In addition to setting out the fund's objectives, these documents also document the controls in place to mitigate the risks facing the fund.

The sub-committee agrees the strategic direction for the fund in the Funding Strategy Statement.

As part of the triennial valuation process, a Funding Strategy Statement was prepared in February 2015 in conjunction with the fund's Actuary and is effective from 1 April 2015.

The Funding Strategy Statement is a summary of the approach to funding liabilities. The objectives are:-

- to ensure the long-term solvency of the fund using a prudent long term view;
- to ensure employer contributions are reasonably stable and to minimise long term employer cash contributions by developing an investment strategy which balances risk and return;
- to minimise the long-term cash contributions which employers need to pay to the fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return;
- to reflect the different types of employers when determining employer contribution rates; and
- to reduce the risk to other employers and ultimately to the Council Tax payer.

The Funding Strategy Statement can be viewed at www.fifedirect.org.uk/lgps.

Sub-Committee Meetings

Meetings of the Sub-Committee are quarterly. Occasional ad hoc meetings are also held as required. Committee meeting dates are listed on the Council diary which is available at www.fifedirect.org.uk/news/committees.

Representation

The sub-committee comprises of nine elected members of Fife Council; in addition there are two employee representatives and two admitted bodies' representatives who are non-voting members.

The membership of the sub-committee at 31 March 2015 was:-

Cllr. Willie Campbell (Chair)
Cllr. Tim Brett
Cllr. Bill Brown
Cllr. Bobby Clelland
Cllr. Dave Dempsey
Cllr. John Docherty
Cllr. Linda Erskine
Cllr. Fiona Grant
Cllr. Mike Shirkie

The elected members are active members of the LGPS for Councillors; however they are not in receipt of a pension from the fund.

Training

Regular opportunities for training are offered to the members of the sub-committee. In particular, special training is arranged to meet the needs of the committee and the programme of work being undertaken.

The following training sessions on fund investment have been delivered in 2014-15:-

Hermes Engagement Session, November 2014 (2 elected member attended);
Diversified Growth Client Seminar, November 2014 (3 elected members attended).

Members of the Pension Team delivered a training session on the LGPS 2015 at the November 2014 sub-committee meeting.

Governance Compliance

Under the 2010 amendment regulations, the fund is required to publish a Governance Compliance Statement, detailing how it complies with best practice guidance issued by Scottish Ministers. Details of how the fund complies with each requirement are included in Appendix A.

Responsible Investment

As a local authority fund and significant investor, we continue to support responsible ownership and this is recognised in our Statement of Investment Principles (Appendix B).

In February 2013, the sub-committee agreed to appoint Hermes Equity Ownership Services, through a framework with Lothian Pension Fund. Hermes helps institutional owners around the world to meet their fiduciary responsibilities and become active owners of public companies. They undertake engagement with businesses on areas of concern and are actively involved in lobbying for improved governance in companies around the world.

Fund Actuary

Hymans Robertson is the Actuary to the fund.

Establishment of the Pension Board

Following Lord Hutton's recommendations for improved governance of public sector schemes, the Public Services Pensions Act 2013 requires schemes to establish Pension Boards.

Fife Council actively participated in the consultation process on the new governance arrangements for the LGPS in Scotland, in particular commenting on draft governance regulations.

The Local Government Pension Scheme (Governance) (Scotland) Regulations 2015 were laid before the Scottish Parliament on 19 February 2015. These regulations require each Scottish Fund to establish and operate a Pension Board.

The role of the Pension Board is to assist Fife Council in securing compliance with:-

- LGPS Regulations and other legislation relating to the governance and administration of the Scheme; and
- Requirements imposed by the Pensions Regulator.

Each Pension Board must comprise an equal number of employer and employee representatives. Accordingly, the Council's Member Services liaised with scheme employers and Trade Unions about the new arrangements and the requirement to nominate representatives.

An induction was provided by Hymans Robertson to Board representatives and members of the Pensions Sub-Committee about the role and responsibilities of the Board.

The Pension Board came into effect on 1 April 2015. It comprises 4 employee representatives appointed by Trade Unions and 4 employer representatives. It meets concurrently with the Pensions Sub-Committee and considers the same agenda. In addition, the Pension's Board will meet separately to consider matters it deems relevant to the activities of the fund. This allows the Board to ensure compliance.

The Board's Constitution, which sets out the terms, structure and operational procedures of the Board, and information on each of the representatives can be found at www.fifedirect.org.uk/lgps

Review of effectiveness

The Fund has robust systems of internal controls in place to manage administrative, management and investment risks.

In 2014-15, Internal Audit carried out an assessment of the operational risks relating to the Fund to ensure compliance with current regulations and guidance. The assessment was based on the principles contained in CIPFA's Public Sector Internal Audit Standards.

The review covered the following areas:-

- Calculation and accounting of employee/employer contributions;
- Actuarial valuation;
- Appointment of Investment Manager;
- Investment Manager Performance;
- Monitoring Fund Performance; and
- Documented procedures.

The review showed there were no significant governance issues but identified three areas for improvement.

- Spreadsheets containing admitted body reconciliations should be password protected. This has now been implemented with passwords changed every three months;
- All reconciliations should be independently checked. This recommendation will be implemented; and
- The Sub-Committee should be provided annually with internal control reports produced by external auditors of the investment managers and custodian. The Sub-Committee will now receive these reports.

Steven Grimmond
Chief Executive
28 September 2015

Councillor William Campbell
Chair of the Superannuation and Pension Fund Sub-committee
28 September 2015

GOVERNANCE COMPLIANCE STATEMENT

	Compliance Standard	Arrangements in Place/Action Taken	Action Complies with Principle?	Reason for non-compliance
			Yes/No/Partial	(if applicable)
Structure				
1.1	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Responsibility rests with the Superannuation Fund and Pensions Sub Committee, a sub-committee of Fife Council.	Yes	
1.2	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	The sub-committee is made up of 9 councillors from Fife Council, 2 non voting representatives selected by the Joint Negotiating and Consultative Forum (JNCF) and 2 non voting admitted bodies representatives.	Yes	
1.3	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Not applicable – there is no secondary committee or panel		
1.4	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Not applicable – there is no secondary committee or panel.		

	Compliance Standard	Arrangements in Place/Action Taken	Action Complies with Principle?	Reason for non-compliance
			Yes/No/Partial	(if applicable)
Representation				
2.1	<p>That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure.</p> <p>These include:-</p> <p>i) employing authorities (including non-scheme employers, e.g. admitted bodies);</p> <p>ii) scheme members (including deferred and pensioner scheme members);</p> <p>iii) where appropriate independent professional observers;</p> <p>and</p> <p>iv) expert advisors (on an ad-hoc basis)</p>	<p>Fife Council is represented.</p> <p>Admitted Bodies are represented by 2 non voting representatives.</p> <p>Scheme members, including deferred and pensioner scheme members, are represented by two non-voting representatives selected by the JNCF.</p> <p>Independent professional observers are invited on the sub-committee on ad hoc basis as agreed at the August 2011 committee.</p> <p>Attend as required</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p>	
2.2	<p>That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings and training and are given full opportunity to contribute to the decision making process, with or without voting rights.</p>	<p>All members, voting and non-voting i.e. observers, receive the same access to all papers and training and are given the opportunity to participate fully in the decision making process.</p>	<p>Yes</p>	

	Compliance Standard	Arrangements in Place/Action Taken	Action Complies with Principle?	Reason for non-compliance
			Yes/No/Partial	(if applicable)
Selection and Role of Lay Members				
3.1	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	All new members of the sub-committee are offered induction training, including guidance from the Council's Legal Services Division about their role and responsibilities.	Yes	
3.2	That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	Noted on every sub-committee agenda paper.	Yes	
Voting				
4.1	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	The 9 councillors have voting rights. Non voting members are able to play a full role. Section 14 of the Local Government & Housing Act 1989 states a member of a committee who is not a member of that authority shall be treated as a non-voting member. However, the administering authority has discretion over this matter. This discretion has not been adopted.	Yes	

	Compliance Standard	Arrangements in Place/Action Taken	Action Complies with Principle?	Reason for non-compliance
			Yes/No/Partial	(if applicable)
Training/Facility Time/Expenses				
5.1	That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility, time and reimbursement of expenses in respect of members involved in the decision-making process.	All new members of the sub-committee are offered training by officers. During the year further training is offered, generally from officers and investment managers of the Fund. In addition, if officers identify other training opportunities which may include attendance at conferences or seminars, then these are offered to the committee as appropriate. Costs and expenses incurred are met by the Pension Fund.	Yes	
5.2	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Applies to all members of sub-committee.	Yes	
5.3	That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Training is offered on an ad hoc basis as needs are identified and also as appropriate. Training is identified from a variety of sources. The adoption of an annual training programme has been considered however, it has been agreed that a flexible approach to the needs of the committee to be adopted A log of attendance is held.	Yes	The CIPFA Knowledge & Skills Framework Training Needs Analysis has been issued to members to inform ongoing training needs

	Compliance Standard	Arrangements in Place/Action Taken	Action Complies with Principle?	Reason for non-compliance
			Yes/No/Partial	(if applicable)
Meetings (frequency/quorum)				
6.1	That an administering authority's main committee or committees meet at least quarterly.	Meetings are held quarterly and additional meetings are held when necessary.	Yes	
6.2	That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Not applicable – there is no secondary committee or panel.		
6.3	That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Employer Forum held annually, also open days held for members. Presentations provided on request.	Yes.	
Access				
7.1	That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	All members and observers are treated equally in terms of access to papers and advice.	Yes	

	Compliance Standard	Arrangements in Place/Action Taken	Action Complies with Principle?	Reason for non-compliance
			Yes/No/Partial	(if applicable)
Scope				
8.1	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	The terms of reference of the sub - committee includes all pension related matters.	Yes	
Publicity				
9.1	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Governance Policy Statement approved at August 2011 sub-committee meeting. Governance policy / compliance statement are available on the mini site and are included in the Pension Fund Annual Report.	Yes.	

Steven Grimmond
Chief Executive
28 September 2015

Councillor William Campbell
Chair of the Superannuation and Pension Fund Sub-committee
28 September 2015

FIFE COUNCIL PENSION FUND

**STATEMENT OF INVESTMENT PRINCIPLES
(May 2014)**

1.0 INTRODUCTION

- 1.1 This Statement of Investment Principles has been prepared in accordance with and as required by The Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010, as amended.
- 1.2 The Statement is provided to the fund's investment managers and engagement and voting provider, who are required to follow the principles that it sets out.

2.0 GOVERNANCE & EFFECTIVE DECISION-MAKING

- 2.1 Fife Council is the administering authority of the Fife Council Pension Fund. The Council has set up The Superannuation Fund and Pensions Sub-Committee which has representative Councillor Members (voting), as well as member and employer representatives (non-voting). The Terms of Reference of the Sub-Committee are:- "to arrange for the supervision of the management and administration of the investments of the Superannuation Fund, Common Good Fund and all Trust Funds and to make decisions in regard to the appointment of fund managers in that regard; and to consider and determine (except insofar as delegated to the Executive Director, Finance and Corporate Services or any other officer) all matters relating to the Council's functions in regard to pensions administered by the Council "
- 2.2 Staff from Democratic Services record attendance at Sub-committee meetings, trainings, seminars and conferences.
- 2.3 The Sub-Committee meets, as a minimum, quarterly to consider pension and investment matters. It also sets the Funding Strategy, the investment objective and policy. The fund's assets are managed by external fund managers, who have delegated authority to carry out all day to day investment decisions including acquisition and realisation of investments within the constraints of any agreed benchmarks.
- 2.4 Regular training will be offered to the members of the sub-committee as identified by the completion of a training needs analysis and the ongoing work of the committee. Training will be provided from appropriate varied sources and staff from Democratic Services will record attendance.
- 2.5 In addition tools to support training needs will be made available to Members and officers as appropriate.

3.0 CLEAR OBJECTIVES and AREAS OF RISK AND LIABILITIES

- 3.1 The primary aim of the fund is to ensure that benefits, due to members and their dependants are paid when they fall due.

3.2 The Sub-Committee approve a Funding Strategy Statement, the main aim of which is to:-

- a) ensure the long-term solvency of the fund;
- b) secure and maintain sufficient assets to meet liabilities which fall due by the fund under the Local Government Pension Scheme;.
- c) minimise the risk of assets failing to meet these liabilities; and
- d) maximise investment returns within an acceptable level of risk whilst, at the same time, providing stability in the level of employers' contribution rates.

3.3 Risk

It must be recognised that seeking to achieve the fund's investment objectives carries a certain amount of risk. These will be monitored on an ongoing basis as follows:-

a) Solvency Risk and Mismatching Risk

Addressed through the asset allocation strategies adopted by the fund managers along with the ongoing triennial actuarial valuations as required by regulation. The Sub-Committee takes regular advice from the fund's actuaries with regard to the need to match the Fund's assets to the liabilities, and

b) Manager Risk

Addressed through diversification achieved from the appointment of 8 Fund Managers with a variety of mandates and the ongoing quarterly monitoring of their performance and strategy.

Following the structure change, which took effect from 1 July 2011, the expected long-term return, as advised by the investment consultants, is 4.15%.

3.4 The Executive Director, Finance and Corporate Services and his staff, provide technical support to the Sub-Committee as necessary. In addition professional advice is considered from both investment consultants and actuaries.

3.5 Regular audits, both internal and external are carried out and results are submitted to the appropriate Committee.

3.6 The fund managers have full discretion regarding choice of investments. It is expected, however, that the fund will have a mix of real and monetary assets. The Managers' asset allocation strategy will provide for suitable diversification, which will contribute to risk management in accordance with the objective set out in para 3.3.

3.7 The fund is managed in accordance with The Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010, as amended or revised.

3.8 The fund's investment management arrangements are fully reviewed regularly in accordance with practice approved by the Sub-Committee.

The following is the total fund strategic benchmark from 1 July 2011:-

Asset Class	Allocation %	Benchmark
UK Equities	20	FT All Share
Overseas Equities	35	MSCI All Countries World Index
Property	10	HSBC/APUT All Pooled Funds Index
Absolute Return	10	UK Base Rate
Cash/Infrastructure	5	UK Base Rate
Bonds	7.5	FT Over 15 Years Gilts Index
Bonds	7.5	iBoxx Sterling Over 10 Years Index
Bonds	5	FT Index-Linked Over 5 Years Index

3.9 A global custodian is appointed to ensure the safekeeping of the assets.

4.0 PERFORMANCE ASSESSMENT

4.1 An independent performance management company is appointed to provide regular reports for the sub-committee members. These reports detail the investment performance of the fund managers. In addition an annual report will be provided to the sub-committee outlining the performance of the fund against its benchmark and for each individual fund manager in relation to the fund managers' set investment objectives and the market as a whole.

4.2 Training and Committee attendance of members of the Superannuation and Pensions Fund Sub-Committee is monitored on an annual basis.

5.0 RESPONSIBLE OWNERSHIP

5.1 Whilst the fund managers have delegated powers for the acquisition and realisation of investments, fund managers will be expected, as part of their investment process, to consider all factors, including the social, environmental and ethical policies of companies in which they may invest to the extent that these may materially affect the long term prospects of such companies. The fund managers will also be expected to enter into dialogue with companies in which they invest in relation to the pursuance of socially responsible business practices, and report regularly to the Sub-Committee on these activities.

- 5.2 Corporate Governance is a key responsibility for institutional shareholders and Fife Council believes that having engaged owners who are clear about their expectations will help companies produce sustainable value and that companies' long-term financial returns are connected to their strategic, environmental, social and governance performance. As of 1 May 2013, as administering authority, Fife Council have appointed a specialist provider, Hermes Equity Ownership Services, (HEOS), to act as its agent in carrying out voting and to engage in Environmental, Social and Governance (ESG) issues with investment managers and companies in which the fund invests and to cast votes on behalf of the fund. As a matter of principle, the fund will seek to exercise all of its voting rights in respect of its shareholdings. It is recognised, however, that, in practical terms, this may not always be possible for overseas holdings. It is also recognised, that from time to time the decision will be taken to abstain from voting due to insufficient information being made available (not the fault of the company concerned) or to support the achievement of an engagement objective with the company. HEOS typically conducts engagement and voting related dialogues with companies in confidence and will not disclose Fife Council Pension Fund's involvement in such engagements, unless specifically agreed in advance.
- 5.3 The cornerstones of the service provided by Hermes are the Hermes Responsible Ownership Principles (available on the Hermes website) and the Financial Reporting Council UK Stewardship Code, (available on the Financial Reporting Council website).
- 5.4 Annual reports will be provided to the Sub-Committee on the engagement and voting carried out on its behalf.

6.0 TRANSPARENCY AND REPORTING

- 6.1 Minutes of meetings of the Superannuation and Pensions Fund Sub-Committee, policy statements and annual accounts are available on the FifeDirect website.

7.0 COMPLIANCE

- 7.1 The fund is compliant with the statutory restrictions set out in the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010 and any subsequent amendments.
- 7.2 This Statement of Investment Principles complies with 6 Principles set out in the Chartered Institute of Public Finance and Accountancy's publication –Investment Decision Making and Disclosure in the Local Government Pension Scheme 2009 – A Guide to the Application of the Myners Principles. Details of compliance are shown in Appendix C.

Finance and Resources
Fife House
Glenrothes
May 2014

THE FIFE COUNCIL PENSION FUND AND THE MYNERS PRINCIPLES

	Principle	Arrangements in Place
1	<p>Effective Decision Making</p> <p>Administering authorities should ensure that:-</p> <p>Decisions are taken by persons or organisations with the skills, knowledge, information and resources necessary to make them effectively and monitor their implementation; and</p> <p>Those persons have sufficient expertise to be able to evaluate the advice they receive, and manage conflict of interest.</p>	<p>Responsibility for the management of the fund is delegated to the Superannuation Fund & Pensions Sub-Committee of the Council.</p> <p>Hymans Robertson is appointed as the Council's actuaries.</p> <p>Hymans Investment Consultants are the investment advisers.</p> <p>Regulation permits the appointment of suitably qualified investment managers to make investment decisions on behalf of the administering authority.</p> <p>The Executive Director Finance and Corporate Services provides the committee with officer support.</p> <p>A Training Needs Analysis is completed by members of the sub-committee and officers and training is regularly offered and undertaken from varied and appropriate sources e.g. the Employer Organisation, consultants and fund managers as they arise.</p>
2	<p>Clear Objectives</p> <p>An overall investment objective(s) should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisors and investment managers.</p>	<p>A Funding Strategy is approved by the sub-committee and is reviewed regularly.</p> <p>Out performance of customised benchmarks are included within investment manager agreements.</p>

	Principle	Arrangements in Place
3	<p>Risk and Liabilities</p> <p>In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities.</p> <p>These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.</p>	<p>A triennial actuarial valuation is carried out by the Fund's actuaries and the results and impact of this are considered when reviewing the investment strategy of the fund.</p>
4	<p>Performance Assessment</p> <p>Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors.</p> <p>Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members.</p>	<p>Independent performance measurement of the fund assets and the fund managers is carried out by Northern Trust.</p> <p>During the term of each sub-committee, a full review of the investment management arrangements is considered and progressed as and if appropriate.</p> <p>Information on attendance at trainings is provided annually to the sub-committee for review.</p>
5	<p>Responsible Ownership</p> <p>Administering authorities should:- Adopt, or ensure their investment managers adopt or explain their approach to the UK Stewardship Code on the responsibilities of shareholders.</p> <p>Include a statement of their policy on responsible ownership in the statement of investment principles.</p> <p>Report periodically to scheme members on the discharge of such responsibilities.</p>	<p>Hermes Equity Ownership Services (HEOS) has been appointed to assist the Fund in meeting its fiduciary responsibilities in the areas of engagement and voting.</p> <p>All investment managers have confirmed compliance with the Stewardship Code or explained their alternative strategy. HEOS will also engage with the investment managers and companies in which the Fund invests.</p> <p>The Fund's Statement of Investment Principles (SIP), outlines that managers must consider socially responsible investment issues as part of their investment strategy.</p> <p>Regular reports are presented to committee demonstrating appropriate actions taken.</p>

	Principle	Arrangements in Place
6	<p>Transparency and Reporting</p> <p>Administering authorities should:- Act in a transparent manner, communicating with stakeholders on issues relating to their management of investment , its governance and risks, including performance against stated objectives.</p> <p>Provide regular communication to scheme members in the form they consider most appropriate.</p>	<p>An annual report and statement is provided to all Fund members.</p> <p>An annual meeting is held for employers.</p> <p>The Pension Fund Annual Report is made available on the FifeDirect website.</p>

FIFE COUNCIL PENSION FUND COMMUNICATION POLICY

(June 2015)

Introduction

Fife Council Pension Fund provides pension administration and investment services for Fife Council employees and employees of participating employers within Fife.

The Local Government Pension Scheme (Scotland) Regulations 2014 require each pension fund administering authority to prepare, publish and review its communication policy statement.

A policy statement must set out:-

- the provision of information and publicity of the scheme to members, representatives of members and scheme employers;
- the format, frequency and method of distributing information and publicity; and
- the promotion of the scheme to prospective members and scheme employers.

This statement summarises how the fund communicates with members, employers and other stakeholders.

Communications Objectives

The key objectives of the fund's communication policy are:-

- to improve understanding of the scheme and the fund;
- to promote the benefits of scheme membership as an important part of the employment package;
- keep members, employers and other stakeholders up to date with regulation changes;
- to allow members to make informed decisions.

In order to achieve these objectives, our aim is to ensure communications are:-

- factual and presented in plain language;
- designed to meet the needs of each target audience; and
- use the most efficient and effective means of delivery.

Key Audiences

The fund has identified the following distinct groups with whom it needs to communicate with:-

- scheme members;
- scheme employers;
- prospective scheme members and employers;
- Trade Unions; and
- Superannuation and Pensions Sub Committee and the Fife Pension Board.

Communication Tools and Strategy

The following section outlines how the fund communicates with each group.

Active Scheme members – currently contributing to the Scheme

By post

- statutory confirmation of membership;
- annual benefit statement;
- on request, communications can be provided in alternative formats including braille, translation and audio; and
- correspondence relating to members' benefits.

In person/phone

- one-to-one meetings;
- contact telephone numbers publicised in scheme literature; and
- roadshows, induction/retirement talks – at request of employer.

Email/Website

- dedicated email address for queries;
- email used to receive and send correspondence where appropriate;
- website www.fifedirect.org.uk/lgps providing an extensive range of scheme literature including scheme guides, leaflets, policies, the valuation report, Pension Fund Annual Report and the Funding Strategy Statement. Literature is updated accordingly;
- website has links to other useful websites including www.scotlgps2015.org which provides full details on the new LGPS effective from 1 April 2015;
- newsletters updating members about scheme changes; and
- global emails promoting the scheme, for example introducing the new scheme from 1 April 2015 and AVC information sessions.

Pensioner Members – those receiving a pension from the Fund**By post**

- correspondence relating to members' benefits;
- on request, communications can be provided in alternative formats including braille, translation and audio;
- payslip once a year detailing pension increase and lifetime allowance certificate; and
- annual newsletter.

In person/phone

- one-to-one meetings; and
- contact telephone numbers publicised in scheme literature.

Email/Website

- dedicated email address for queries;
- email used to receive and send correspondence where appropriate; and
- website providing an extensive range of scheme literature including scheme guides, leaflets and policies. Literature is updated accordingly.

Deferred Members – no longer actively contributing to the scheme but have left their benefits in the Fund**By post**

- annual benefit statement;
- annual newsletter;
- correspondence relating to members' benefits; and
- on request, communications can be provided in alternative formats including braille, translation and audio.

In person/phone

- one-to-one meetings; and
- contact telephone numbers publicised in scheme literature.

Email/Website

- dedicated email address for queries;
- email used to receive and send correspondence where appropriate; and
- website providing an extensive range of scheme literature including scheme guides, leaflets and policies. Literature is updated accordingly.

Scheme Employers

The fund communicates with scheme employers in the following ways:-

- Annual Employers' Forum;
- employer newsletters giving updates on legislation and policy matters;
- wording of global emails/intranet messages provided for employers to cascade down to scheme and potential members;
- pension administration strategy setting out the roles, responsibilities and service standards for the fund and employers;
- Statutory Annual Report on the fund;
- promotion of pension website. Guides/leaflets and forms can be downloaded from the site www.fifedirect.org.uk/lgps;
- presentations/briefings on request; and
- training and support provided by team members on technical, procedural and policy matters.

Prospective Members

The HR/Payroll & Pension Transaction Team works closely with employers to promote the benefits of the scheme to new employees and to those who have previously opted out.

Upon appointment, prospective scheme members are provided with a link to the pension website where they can access scheme booklets. A new section has been developed outlining the benefits of scheme membership and allowing employees to download easily all the relevant forms and guides to join the LGPS.

If requested by an employer, the team gives presentations to promote the scheme.

Representatives of Members

We will work with the relevant trade unions to ensure the scheme is understood by all interested parties and to promote the benefits of scheme membership.

The GMB, UCATT, Unison and Unite are represented on the Fife Pension Board.

The HR/Payroll & Pension Transaction Team assists Trade Union representatives with member queries.

Superannuation and Pensions Sub Committee and the Fife Pension Board

The Sub-Committee and Board members receive directly all meeting papers. The Sub-Committee comprises 9 elected members; in addition there are 2 Trade Union representatives and 2 employer representatives who are non-voting members. Details of the meetings and minutes are available on the Council's website.

The fund has on-going training programmes for the Sub-committee and Board members. Training is provided by Council officers and external experts and advisers.

Development Priorities

A key priority is to improve the digital delivery of our communications. The HR/Payroll & Pension Transaction Team is working closely with the Council's Communications Officers to enhance the web site.

We are currently working to introduce a self-service system for employers. The system will integrate with the pension administration system to manage the data flow from employers to the team.

A project team is also working closely with the Council's IT Service to introduce an on-line portal for members to access their Local Government Pension Scheme records. This facility will allow members to update their personal data, ask questions, access annual benefit statements and request pension estimate calculations. Pension members will also be able to view their pension records.

Evaluation

Comments on how the Fife Council Pension Fund communicates with any of our stakeholders are welcome. We are aware that in order for a communications strategy to be fully effective, we need feedback from all our target groups.

If you want to get in touch with us about how we communicate, please contact us using the contact details below.

Contact Details

Fiona Clark
Pensions Advisor
Fife Council Pension Fund
Fife Council
Fife House
North Street
GLENROTHES
Fife
KY7 5LT

Opening Times: Monday to Friday 8.30 am to 5.00 pm

Telephone: 01592 583278

Email: pensions.section@fife.gov.uk

Website: www.fifedirect.org.uk/lgps

ADDITIONAL INFORMATION

Fund Advisors as at 31 March 2015

Actuaries:	Hymans Robertson LLP
Auditors:	Audit Scotland
Bankers:	Royal Bank of Scotland
Investment Consultants:	Hymans Robertson Investment Consultants
Custodians:	The Northern Trust Company
Solicitors:	Fife Council – Legal Services

Comments and Suggestions

Your comments and suggestions on this report would be appreciated, as would any suggestions for items to be included in the future. Please email your comments to: Pensions.section@fife.gov.uk

Contact Details

If you would like further information about the Fife Council Pension Fund, please contact:-

Fife Council, Fife House, North Street, Glenrothes, Fife, KY7 5LT.

For benefit information, address to the HR/Payroll & Pension Transaction Team.

For investment information, address to the Banking and Investments Team.

Email: Pensions.section@fife.gov.uk

Telephone: 01592 583278

Independent auditor's report to the members of Fife Council as administering body for Fife Council Pension Fund and the Accounts Commission for Scotland

I certify that I have audited the financial statements of Fife Council Pension Fund for the year ended 31 March 2015 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the fund account, the net assets statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the 2014/15 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Executive Director Finance and Corporate Services and auditor

As explained more fully in the Statement of Responsibilities, the Executive Director Finance and Corporate Services is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the funds' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director Finance and Corporate Services; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2014/15 Code of the financial transactions of the fund during the year ended 31 March 2015, and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2014/15 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

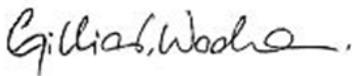
Opinion on other prescribed matter

In my opinion the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement has not been prepared in accordance with Delivering Good Governance in Local Government; or
- the Governance Compliance Statement does not comply with guidance from the Scottish Ministers.

I have nothing to report in respect of these matters.



Gillian Woolman MA FCA
Assistant Director
Audit Scotland
18 George Street
EDINBURGH
EH2 2QU

28 September 2015

