Fife Council

Fife Pension Fund
Administered by Fife Council

Fife Pension Fund
Annual Report & Accounts 2025-26

Fife Pension Fund Annual Report & Accounts 2025-26

Contents	Page
Management Commentary	2
Fife Pension Fund Annual Governance Statement	21
Governance Compliance Statement	36
Actuarial Statement	40
The Pension Fund Accounts	
- Remuneration Report	42
- Statement of Responsibilities	43
- Fund Account	44
- Net Assets Statement	45
- Notes to the Accounts	46
Membership of the Fund	70
Appendix 1 – Statement of Investment Principles	71
Appendix 2 – Communications Policy Statement	84
Appendix 3 – Investment Commentary	88
Independent Auditors Report	89

MANAGEMENT COMMENTARY

Introduction

Welcome to the Annual Report and Accounts for the 2025-26 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 55 of the Local Government Pension Scheme (Scotland) Regulations 2018 and supporting guidance issued by Scottish Ministers. The accounts have been prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Strategy and Business Model

The Fife Pension Fund (the Fund) has a long-term strategy of investing member contributions to ensure sufficient investments to meet future pension liabilities as they fall due. This is explained in the Funding Strategy Statement that can be accessed at Funding Strategy Statement 2024 | Fife Pension Fund. The health of the Fund is monitored every three years by means of review by an independent actuary (see Triennial Review, page 40).

Principal Risks and Uncertainty

There are two main sources of uncertainty that affect whether the Fund holds sufficient funds to pay future pension: the cost of future pensions and the value of investments. This risk is of increased significance given the recent market fluctuations experienced as a result of rising inflation and the global impact of the geo-political situation around the world. The risk of failing to make adequate provision for the future is managed by having an independent actuary value the liabilities of the Fund every three years and set contribution rates (see Actuarial Statement on page 40). The risk of losing money on investments is managed by having an independent investment adviser review the Fund's investment strategy periodically and by diversifying assets and by dividing them between several separate investment management firms, chosen to ensure a range of investment styles as set out in the Investment Management Arrangements section of this report (see page 4). The principal risks facing the Fund are described in more detail in the Statement of Investment Principles (Appendix 1).

Overview of Fund Business

Under the statutory provisions of the Local Government Pension Scheme, Fife Council is designated as an "Administering Authority" and is required to operate and maintain a pension fund – the Fife Pension Fund (the Fund).

The Fund is used to pay pensions, lump sum benefits and other entitlements to scheme members and their dependants. The Fund also receives income from employee and employer contributions and its investments, which include equities, bonds, property funds, private debt and infrastructure.

The Fund operates under the terms of the Local Government Pension Scheme (LGPS), which is a public sector pension arrangement. Scheme membership is made up of active, deferred and pensioner members. To be able to join the scheme, a person must be employed by a relevant employer and not eligible to join another public sector pension scheme. Teachers cannot be members of the LGPS as they have a separate national pension scheme.

A list of employers who contribute to the Fund as either scheduled or admitted bodies, can be found in the 'Membership of the Fund' section of this report (see page 70).

Risk Management Arrangements

Fife Pension Fund has risk management arrangements in place across all of its functions, supported by a fund-specific risk register covering investment, governance and administration risks. The register is held on Ideagen, Fife Council's risk management system, and is reviewed on a quarterly basis in accordance with the Pensions Regulator's General Code of Practice. These reviews include an assessment of risks, the effectiveness of associated internal controls and any actions required. As noted in the Annual Governance Statement, the Risk Management Manual and the process for recording and reviewing risks have been identified as areas for further development during 2026-27.

The risk register forms a key part of the risk management strategy for the fund. It provides a structured and focussed approach to managing risks.

Updates on the risk register are reported to the committee on a quarterly basis with any actions around controls being highlighted in the regular reporting.

More details on the management of risks and internal controls are included in the Annual Governance Statement.

Review of the Year

Key Facts and Figures

2025-26 Key Highlights	• Net assets valued at £4,146m, an increase of £364m compared with 2024-25. • Investment return of 10% for 2025-26 and, 4.7% and 8.1% over 5 and 10 years 7.0% for the rolling 3-year period • The Fund continues to exceed its strategic investment return objective over the rolling 5-year period. • 42,268 members an increase of 884 compared with 2024-25

Table 1 - Financial Highlights

Financial Highlights	2025-26 £m	2024-25 £m	Change £m
Value of Fund	4,146.650	3,782.461	364.189
Operational (Surplus)/Deficit	(364.189)	(123.259)	(240.930)
Employers Contributed	(98.049)	(94.129)	(3.920)
Employees Contributed	(27.456)	(26.158)	(1.298)
Pensions and Other Benefits Paid out	135.258	124.391	10.867
Transfer values paid in	(4.113)	(2.911)	(1.202)
Transfer values paid out	4.017	5.625	(1.608)
Scottish Fire & Rescue Service transfer paid out	0.000	12.772	(12.772)
Net (additions)/withdrawals from dealings with members	9.291	19.293	(10.002)

Table 2 - Investment Highlights

Investment Highlights	2025-26	2024-25
Investment Return	10.0%	4.0%
Performance v Benchmark	-1.5%	3.1%

The Fund has experienced a change in value of £364.189m represented by an increase in capital value of investments of £303.884m (2024-25 £94.789m) coupled with income from dividends and interest of £89.839m (£62.570m 2024-25). The Fund experienced a net deficit of £9.291m (2024-25 £19.293m deficit) from dealings with members. The main reason for the reduction from the previous year is that the Scottish Fire and Rescue Service transfer payment made in 2024-25 did not recur in 2025-26. This was partly offset by increased number of pensioners, increased pension payments including lump sums.

Fife Pension Fund complies with CIPFA guidance in terms of accounting for and disclosing investment management expenses. Details are disclosed in Notes 9 and 9a of the accounts.

The Transaction costs for 2025-26 are reported as £1.446m (2024-25 £1.975m), these reflect the cost to the Fund of dealing in the underlying investments to achieve its objectives.

Fife Pension Fund is committed to continuing participation in the Cost Transparency Initiative and engaged with CEM Benchmarking to assist in the collation and scrutiny of the templates prior to the completion of these financial statements and participation in the 2025-26 benchmarking exercise. As further templates have now been received, the financial statements have been adjusted to include the updated investment management fees information. This has resulted in an increase in costs when compared with 2024-25, reflecting more complete information being available earlier in the accounts process and allowing appropriate adjustments to be made.

The Fund also participated in the CEM Benchmarking exercise for 2024-25, with the results reported to Committee in March 2026. The results showed that investment costs remained below benchmark, with CEM noting that Fife has both a lower-cost implementation style and pays less than peers for similar assets. The Fund also participated in administration benchmarking for the first time, providing a baseline for assessing administration costs, service quality and future improvement. The administration results showed that costs per member were below the adjusted peer average, while also identifying areas for development including data capture, member engagement and digital service monitoring.

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 Statement of Investment Principles (SIP) (Appendix 1) and the Funding Strategy Statement provide further information on the Fund's investment framework and principles.

Investments are undertaken by a range of third-party investment managers, with Northern Trust appointed as global custodian to safeguard Fund assets.

The Pension Committee sets the high-level investment strategy, with implementation delegated through the Executive Director Finance and Corporate Services to the Head of Finance. The Head of Finance receives strategic investment advice through the Joint

Investment Forum (JIF), including advice from LPFI Limited and two independent Investment Advisers.

Further detail on the Fund's investment governance arrangements, including the collaborative relationship with LPFI Limited, the role of the JIF and arrangements for managing conflicts of interest, is included in the Annual Governance Statement.

Ranges to limit asset allocations under normal financial conditions are set out in Table 3. These ranges provide controls within which the Head of Finance implements the agreed strategy and help avoid unnecessary and potentially costly rebalancing.

Table 3 - Investment Strategy

Policy Group	Strategy (March 2024) %	Permitted Range
Equities	50	40%-60%
Real Assets	20	10%-30%
Credit	13	5%-25%
Sovereigns	15	5%-25%
Cash	2	0%-15%
Total	**100**	

Officers from Fife, Lothian Pension Fund (LPF) and the two independent Investment Advisers monitor the performance of managers through quarterly meetings with fund managers and regular review of performance reporting. Detailed performance information is considered at each quarterly meeting of the JIF, with an overview provided to the Pension Committee throughout the year. A more detailed annual report is also presented to Committee, outlining investment performance over the year.

Responsible Investment Activities

The Statement of Responsible Investment Principles (SRIP) sets out to clarify the Fund's agreed approach to Responsible Investment. The statement will also be used as a guide for investment decision making.

It should be noted that although not a signatory to the Principles of Responsible Investment (PRI), the Fund supports the six PRI principles.

The Fund continues to work with Hermes EOS as voting and engagement partner and continues to disclose details of voting and engagement activity on the Fund website.

Climate Change – Monitoring and Metrics

Consideration and monitoring of the carbon efficiency is reported to the JIF and working with LPFI has enabled details of the measures of carbon efficiency to be reported here. The measure of carbon efficiency being the weighted average carbon intensity, with units of tons CO2/$M sales. Carbon efficiency measures allow assessment at a granular level of how well companies are managing their emissions rather than what the emissions are. Using this metric allows the separation of those companies with good practices from those with bad practices The intensities are weighted according to portfolio position sizes and then all the weighted intensities are added together to give a

figure for the portfolio and the index. In reality, all investment managers use a variety of data on companies to assess prospects rather than a single carbon metric.

Measuring and reporting these metrics is a step towards some of the climate related ambitions outlined in the SRIP.

Table 4 – Measure of Carbon Efficiency

Fund Assets/Benchmark	2020 Weighted Average Carbon Intensity (tons CO2 $/M sales)	2021 Weighted Average Carbon Intensity (tons CO2/$M sales)	2022 Weighted Average Carbon Intensity (tons CO2/$M sales)	2023 Weighted Average Carbon Intensity (tons CO2/$M sales)	2024 Weighted Average Carbon Intensity (tons CO2/$M sales)	2025 Weighted Average Carbon Intensity (tons CO2/$M sales)	2026 Weighted Average Carbon Intensity (tons CO2/$M sales)	Year on Year Change
Fife Equities	187	169	187	187	150	137	151	10.2%
MSCI ACWI (Global Equities)	178	155	151	156	122	114	111	-2.5%
Fife Equities & Corporate Bonds		164	176	169	141	130	141	8.4%
Fife Sovereigns *				132	132	124	106	-14.1%

Source: MSCI

*Data collected for last three years only.
Under the Greenhouse Gas (GHG) Protocol:

- Scope 1 emissions are defined as GHG emissions that are controlled or owned by an organisation.
- Scope 2 emissions are indirect GHG emissions that are the result of an organisation's energy use.

The WACI figures in the table are calculated based on Scope 1 and 2 carbon emissions. The reporting year refers to the year in which the figures are reported; for example, the 2026 WACI figures are based on portfolios and holdings as at 31 December 2025. Advances in data and methodology have facilitated the reporting of combined data for equities and corporate bond holdings since 2021. Since 2023, WACI has also been calculated for sovereign bond investments. However, as this calculation is undertaken on a different basis, it is not meaningful to aggregate sovereign bond WACI with the corporate WACI for equities and corporate bond holdings.

Fife's combined equity WACI and combined equity and corporate bond WACI increased in the latest reporting year, while the MSCI ACWI benchmark reduced slightly. The increase reflects a number of factors, including the addition of new portfolios during 2025, with LPFI SMuRV and Royal London Asset Management (RLAM) Sterling Corporate Bonds contributing to the overall WACI for the first time.

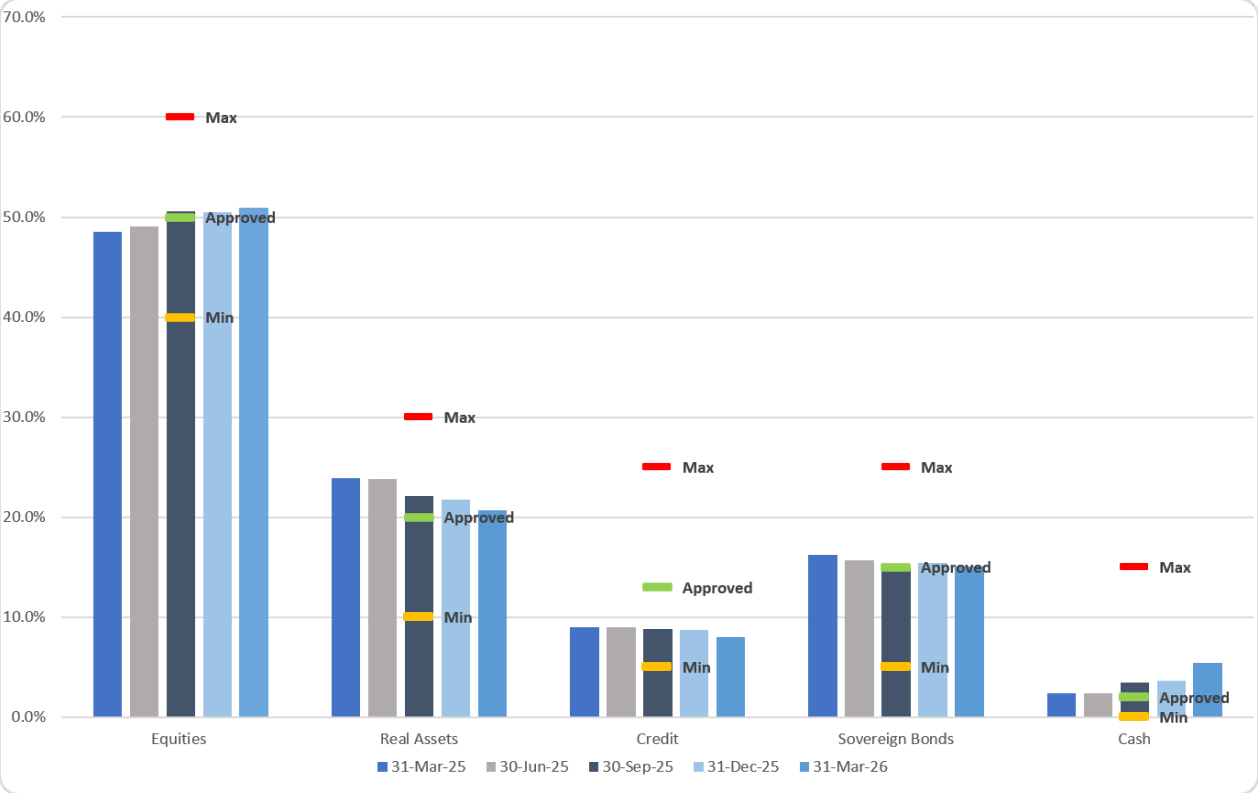
While year-on-year movements can be volatile as portfolios change and additional emissions data becomes available, the key point is the overall declining trend over the period for which Fife has reported WACI figures. This covers six years for equities and five years for the combined equity and corporate bond measure. Carbon intensity figures should therefore be viewed as an output of the investment process and assessed in the context of the longer-term trend, rather than as targeted inputs into investment decisions.

Implementation of Investment Strategy and Investment Performance

The value of the Fund's net assets increased to £4,147m.

The allocation for the year to 31 March 2026 is summarised in the following graph where it is demonstrated that relative to asset allocation, the Fund was overweight in Real Assets and Sovereigns, mostly overweight on Equities and underweight in Credit, with the Cash allocation also overweight. Permitted ranges are in place for asset allocations to allow for changes in market conditions. All policy groups are comfortably within their permitted ranges.

Chart 1 – Quarterly asset allocations to 31 March 2026



Throughout 2025-26, the Fund undertook some changes to the investment allocation as it continued to progress the implementation of the agreed investment strategy. Over the course of the financial year investment activity was undertaken in both the credit and sovereign policy group mandates. This included transitioning credit assets to a new manager and reallocating UK government bonds. The credit transition reflects governance considerations with the previous fund manager, while the bond reallocation represents a shifting sovereign bond exposure from US Treasury Inflation Protected Securities (TIPS) to UK Index-Linked gilts. The change is based on detailed analysis which showed that the initial yield advantage of US TIPS, has narrowed significantly, reducing the relative value of holding US exposure.

The cash balance at 31 March 2026 represented 5.4% of the fund.

The fund works with several different investment managers who manage the investments in line with the agreed mandates. The asset allocation per policy group and by investment manager is detailed in the following table.

Table 5 - Asset Allocation per Policy Group

Policy Group	Manager	Actual % 31 Mar 2025	Actual % 31 Mar 2026	Strategic Target %
Equities		**48.4**	**50.9**	**50**
	Blackrock	7.7	8.6	
	Baillie Gifford	7.8	7.3	
	State Street	16.0	17.9	
	LPFI Global HD	3.9	4.2	
	LPFI GLOVE	6.8	6.6	
	LPFI SMuRV	6.2	6.3	
Real Assets		**23.9**	**20.7**	**20**
	CBRE Property	6.1	5.9	
	Infrastructure (Partners, various)	17.8	14.8	
Credit		**9.0**	**8.0**	**13**
	Janus Henderson Corporates	2.4	2.3	
	Western Asset Corporates	2.4	0.0	
	LGIM 6A Corporate Bond Fund	2.5	2.3	
	Royal London	0.0	2.2	
	Private Debt	1.8	1.2	
Sovereign		**16.2**	**15.1**	**15**
	Janus Henderson Gilts	3.3	3.1	
	LGIM 5YR+ US Index-linked	4.4	0.0	
	LPFI Gilts	8.6	12.0	
Cash	**NT Money Market Fund**	**2.4**	**5.4**	**2**
Total Fund		**100.0**	**100.0**	**100.0**

Source: Northern Trust

Performance of the Fund for 2025-26 resulted in a net increase in asset value of £364.189m, or 10%, with the Fund underperforming against its benchmark of 11.4% by -1.4% over the 12 month period.

Longer term returns over 5 and 10 years demonstrate that the Fund has outperformed its benchmark over longer time periods. Detailed returns are set out in the table below:

Table 6 - Fund Performance

Returns	1 Year (2025-26) %	3 years % per annum	5 Years % per annum	10 years % per annum	Since Inception % per annum
Fund Return	10.0%	7.0%	4.7%	8.1%	7.8%
Benchmark Return	11.4%	7.6%	2.6%	5.9%	7.0%
Excess Return	-1.4%	-0.6%	2.1%	2.2%	0.8%

Source: Northern Trust

*Inception records performance from 2003 when the custodian was appointed.

The Fund's five-year return of +4.7% per annum was delivered with approximately 71% of the benchmark risk. Investment outcomes have therefore been better than expected on a risk adjusted basis over 5 years.

The returns for the Fund's policy groups and benchmarks over 1 and 5 years and since policy group inception (annualised) are as follows:

Table 7 - Policy Group Returns

	1 year (%)		5 years (%)		Since 31 Dec 2018	
Policy Group	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
Equities	16.7	15.7	8.9	9.7	13.1	11.8
Real Assets	4.6	12.1	6.5	-2.5	4.6	0.8
Credit	4.2	4.6	1.1	-0.5	2.5	1.4
Sovereigns	-0.7	-3.2	-9.4	-13.4	-5.1	-7.8
Cash	4.1	4.0	3.3	3.2	2.2	1.4

Source: Northern Trust – Risk figures shown as standard deviation of monthly returns

Investment Trends and Influences

The Fund invests in a well-diversified portfolio of global assets and is therefore exposed to worldwide economic factors. Commentary was provided by advisers from LPFI Ltd and can be found at Appendix 3.

The Pensions Administration Team

The core purpose of the pensions administration function is to ensure that benefits are paid accurately and on time and to provide clear information on the benefit options available to help members plan for retirement.

The administration function is accountable to the Pensions Committee, Pension Board, scheme employers and fund members. It is committed to providing a quality service to all stakeholders.

The administration function covers a range of activities including: -

- processing and payment of member benefits
- maintenance of the administration system, website, and online Member Self Service facility
- implementation and communication of regulatory updates
- development and implementation of policies
- providing guidance to scheme employers
- engaging with the Fund members

The administration function continues to evolve and develop to comply with regulatory requirements and to provide an effective service to fund members and employers.

The administration function experienced another busy and challenging year, with a workplan that included implementation of the McCloud Remedy, planning for the Pensions Dashboards Programme, and HMRC pension taxation changes.

Details of the Administration team are summarised as follows:

Table 8 – Administration Team

Resources	
Total number of all administration staff (FTE)	16
Average service length of all administration staff	14 years
Staff Vacancy rate as %	12.5%
Ratio of all administration staff to total number of scheme members (incl mgmt)	2486
Ratio of administration staff (excl mgmt) to total number of scheme members	2641

Service Delivery Developments

The Fund's Business Plan sets out the aims and objectives of the Fund, the resources required and the key activities involved in the administration and governance of the Fund. It also provides a framework for reporting progress against business-as-usual activity, improvement work and future development priorities.

The Pensions Service Manager role is now established and provides dedicated senior officer capacity for leading and managing the Fife Pension Fund, supporting delivery of a consistent, high-quality service and strengthening governance, administration and service improvement arrangements. The role supports the Fund in responding to current and future challenges while continuing to ensure the effective management of the Fund.

The review of the administration team structure undertaken by Hymans Robertson has informed the wider review of the Fund's staffing structure and resource model. This wider review is addressing capacity, resilience and specialist skills across administration, governance, risk, investment support, systems development and business improvement. Implementation of the revised structure will progress during 2026-27, subject to the necessary approval and recruitment processes.

Training and Development

A comprehensive induction programme was developed for new team members.

A formal training plan was created for new and promoted staff and continues to be implemented and monitored. The Fund recognises the importance of ensuring that all

staff have the knowledge and skills to discharge their roles, including the impact of legal rulings and regulatory changes. Development and training needs are identified to ensure that the relevant pension and systems knowledge is acquired, maintained, and developed. Staff are encouraged to obtain a Certificate in Pensions Administration through the Chartered Institute of Payroll Professionals.

Training is delivered in-house, at Local Government Association (LGA) Secretariat workshops, and at training events organised by the software supplier, Aquila Heywood, and the Fund Actuary, Hymans Robertson. All in-house training is delivered in person. Aquila Heywood and Hymans Robertson webinars and training sessions were attended during the year.

A key focus throughout the year was training on the impact of the McCloud Remedy on a range of benefit calculations and processes. In line with statutory guidance, the software provider Aquila Heywood developed several software updates during the year to reflect the evolving position on McCloud. These updates have been uploaded to the administration system and staff training sessions have been delivered to reflect the developments carried out.

To tackle the number of outstanding transfer cases, a decision was taken to use external resources. The Fund Actuary, Hymans Robertson, was engaged to assist with some calculations and to develop training sessions. Three training sessions have been held and attended by the majority of staff. Following the training, new procedures have been developed and implemented, and new tasks have been created within the task management system.

External training sessions attended by staff included: -

- McCloud updates
- Transfers
- Interfunds
- Aggregations

Statutory Framework of the LGPS

The LGPS is a key statutory scheme established under primary legislation – the Superannuation Act 1972 and Public Service Pensions Act 2013. The scheme rules take the form of a series of regulations – the Local Government Pension Scheme (Scotland) Regulations. The regulations are Scottish Statutory Instruments (SSIs).

The scheme benefits are set out in the Local Government Pension Scheme (Scotland) Regulations 2018 which are available here
https://scotlgpsregs.org/schemeregs/lgpsregs2018/timeline.php

The McCloud Remedy

Statutory guidance was followed when identifying members in scope for the McCloud remedy, based on both pensionable history and by liaising with members regarding public sector pension scheme membership. Member records have been updated accordingly.

Meetings were held regularly with software consultants who specialise in updating Altair with McCloud data and participated in online McCloud surgeries. Participation in nationwide working groups continues to take place. These meetings allow sharing of best practice and experiences of other Funds updating McCloud.

On 1st October 2024, the factors for the McCloud underpin remedy were activated, meaning all actual calculations processed after that date automatically have, where applicable, the McCloud underpin included for those members in McCloud scope. Work has been completed to identify, apply and pay underpin payments to benefits for deceased members and their next of kin, as well as retired members.

The bulk calculation to apply underpin values to deferred members that have been identified as being in scope has also been completed. This means that from 2026, all deferred members will now automatically have any underpin value included with their annual benefit statement.

During 2025-26, work continued on the McCloud remedy, including processing bulk underpin calculations for current members. As anticipated with a project of this scale the work identified some cases requiring further validation, particularly where transfer information required additional review. These records are being updated as part of the wider data validation and McCloud implementation activity. Once updated, underpin values will be applied to relevant current member records and reflected in future benefit calculations where applicable.

In addition to processing business as usual retirals, estimates and transfer out requests for those in scope, there are some retrospective cases to be reviewed. A project plan is in place to work through these cases in line with SPPA's McCloud prioritisation of cases policy.

Pensions Dashboards

The Pensions Dashboards Programme (PDP), which is a government initiative, will allow individuals to view information about their pensions, including their State Pensions, in one place online.

Following testing, nightly updates are being run that provide data for the Pension Dashboards Programme.
The public go live date for the PDP was initially 1 October 2026, however all indications are that this date will be delayed into 2027.

Cyber Security

The Fund is fully aware of the overriding importance of cyber security.

Cyber security is included in the Fund's risk register and cyber resilience is regularly reviewed by Fife Council's IT Service. Team members are required to complete the Council's Data Protection and Cyber Security training,

Altair complies with the appropriate ISO standards require by a hosted system.

Processes and Procedures

The Fund is committed to the continuous improvement of processes and procedures.

The McCloud Remedy guidance is constantly being updated to consider all scenarios as they arise. This means that continual assessments are being carried out and the guidance notes and existing procedures are being updated and amended.

In 2025-26, following several training sessions, existing processes and procedures were updated in the following areas: -

- Benefit calculations impacted by revised GAD guidance due to the McCloud Remedy
- Transfer calculations
- Interfund calculations
- Aggregation calculations

Fund Policies

A revised Communications Policy along with updated Funding Strategy Statement and Administration Strategy were considered and approved by Committee in December 2025.

Policies are reviewed regularly to ensure that they are kept up to date with operational practices and compliant with legislation.

Performance Standards

A suite of key performance indicators (KPIs) is prepared quarterly for the Committee and Pension Board.

Results of performance against KPI targets in 2025-26 are shown below: -

Table 9a) - Total number of cases completed for key processes.

Casework KPI	Total Cases Completed 2025-26	Total Cases Completed 2024-25
New Members	2305	2362
Retirals	868	830
Deaths	548	569
Refunds	500	311
Correspondence	214	297
Transfers Out	169	146
Ill Health Estimates	82	77
Divorce	44	42
Transfers In	25	26
Redundancy Estimates	16	17

Table 9b) - Time taken to process casework.

Casework KPI	Target	% completed within target 2025-26	% completed within target 2024-25
New Members	30 days	97%	100%
Retirals	7 days	83%	87%
Deaths	7 days	81%	81%

Refunds	10 days	98%	97%
Correspondence	10 days	98%	100%
Transfers Out	10 days	35%	23%
Ill Health Estimates	15 days	46%	64%
Divorce	10 days	98%	36%
Transfers In	10 days	56%	65%
Redundancy Estimates	12 days	50%	94%

Performance in several areas fell below target. This was due partly to the loss of experienced staff who retired, meaning training has been required across several areas of the administration function.

Delays in receiving completed paperwork from members and employers also affected the time taken to complete tasks recorded in the administration system. Transfer performance was particularly impacted by the retirement of two experienced team members who had specialist knowledge in this area. To help manage the workload, staff were redeployed to support transfer and divorce cases; however, as they had limited previous experience of this work, significant training and support was required before performance could improve.

To address the resulting backlog in transfer cases, Hymans Robertson have been engaged to provide support. They have delivered transfer training to the wider team, as well as training on the aggregation of member records. Following this training, more efficient procedures have been introduced within the administration system, as well as utilising the template letters provided by Hymans Robertson for transfer and aggregation cases.

Performance continues to be monitored and reported on a quarterly basis, with oversight and review provided by the Pensions Committee and Board.

Communications and Engagement

The Fund is required to have a formal written communications statement which can be viewed at Appendix 2 and also at Fife Pension Fund Communication Policy | Fife Pension Fund. Effective communication is vital to ensure both members and employers are aware of the benefits of the LGPS and are also kept up to date with scheme changes.

Fife Pension Fund's website is developed and maintained by Hymans Robertson. The site continues to be updated to ensure scheme information and literature are readily available. News articles, ranging from Fund-specific information to bulletins highlighting general pension issues, are available on the website. Website updates include scheme information, guides and news articles such as the McCloud Remedy.

The online Member Self Service platform was upgraded and is now MSS/Engage. The upgrade was required as the software supplier had notified the Fund that the MSS platform had reached its end of life and was being decommissioned. The new platform offers more functionality for members and is easier for the software supplier to amend.

The secure online Member Self Service (MSS/Engage) facility continues to be promoted through the website.

The principal communications to active and deferred members are the annual benefit statement and newsletter. These communications are available online through MSS/Engage. Following the move to the new service, members can watch a video presentation of their annual statement and use the new retirement planner facility. Whilst members are encouraged to use the MSS/Engage facility, paper copies of annual statements will still be made available on request.

The statutory deadline of 31 August 2025 was met, with 100% of benefit statements issued via Member Self Service (MSS).

Communication exercises have been carried out to promote the benefits of MSS/Engage and to highlight that annual benefit statements can be viewed online. Additional promotions are ongoing to encourage as many members as possible to register. Employers continue to be supported in promoting MSS/Engage to further encourage active members to register.

Pensions Awareness Week, which took place from 15 to 19 September 2025, was also promoted, with online communication materials provided to employers.

Internal Audit also undertook an audit in 2024-25 of Stakeholder Communication and identified several good practice points. There was one recommendation for improvement around improving engagement by assessing customer satisfaction.

Table 10 provides data in relation to Communications and Engagements

Table 10 – Communications and Engagement

Engagement with online portal	**At 31 March 2026**
% of active members registered	72%
% of deferred members registered	60%
% of pensioner and survivor members	44%
% total of all scheme members registered for self-service	58%
Communication	
Total number of telephone calls received in a year	5,150
Number of employer engagement events held in year	1
Number of times a communication (i.e. newsletter) issued to:	
a) Active members	1
b) Deferred members	1
c) Pensioners	1

Working with Scheme Employers

Officers liaised closely throughout the year with employers on technical, procedural and policy matters, ranging from individual member cases to employers undergoing workforce change exercises and cessation processes.

The Employer Forum was held via Teams on 19 February 2026. The Fund actuary presented on the 2026 Valuation process, and employer requirements throughout the process. In addition to the actuary presentation, several other areas were covered in what was a successful, and well attended event.

Collaborative Working

Officers continue to work closely with other Scottish Funds through the Scottish Pensions Liaison Group. This offers the opportunity to discuss topical pension issues and share best practice and knowledge. A working group meets regularly to discuss McCloud Remedy issues and member communications.

Key Legislative and Regulatory Changes

The main legislative change affecting the Fund during the year was the Local Government Pension Scheme (Scotland) (Amendment) Regulations 2025. These Regulations came into force on 2 April 2025, with some retrospective effect, and amended the exit credit provisions in the LGPS (Scotland) Regulations 2018.

- Administering authorities now have discretion to determine the amount of any exit credit payable to an employer leaving the Fund, which may be nil.
- The discretion requires relevant factors to be considered, including the amount of any surplus relating to the exiting employer, the extent to which the surplus has arisen from employer contributions, any representations received and any relevant funding strategy guidance or policy.
- The change provides greater flexibility in how exit credits are assessed and is intended to reduce the risk of inappropriate or disproportionate exit payments being made from the Fund.

The Fund's Funding Strategy Statement has been updated to reflect these changes and to set out how the discretion will be applied when an employer exits the Fund.

In addition to this legislative change, the implementation of the McCloud remedy continued to place significant demands on administration resources during 2025-26. This included ongoing data validation, system updates, calculation changes and review of affected member records.

Other Key Regulatory and Legislative Issues

- **Public Service Pensions Indexation**

  The UK Government approved the rate of increase for all public sector pension schemes and state scheme benefits at 3.8% effective from 6th April 2026. The increase was set by reference to the annual change in the Consumer Price Index measured in September 2025.

- **Pension Scams**
  The Fund self-certified meeting the TPR pension scams pledge. This involves regularly warning members about pension scammers by including scam materials in annual benefit statements, transfer packs, on the website and in newsletters. When transfer requests are processed, due diligence is carried out in accordance with guidance from The Pensions Regulator and The Pensions Scams Action Group.

- **Mortality Screening and the National Fraud Initiative**
  The Fund uses Heywood's Mortality Screening Service. This Service is used in conjunction with Audit Scotland's National Fraud Initiative (NFI), which is carried out twice a year. The Screening Service allows more frequent checks to be submitted, ensuring prompt validation of potential mortality cases across deferred and pensioner memberships and helping to mitigate fraud and overpayments.

- **National Fraud Initiative**

The Council participates in the National Fraud Initiative. This is a counter-fraud initiative led by Audit Scotland involving mortality screening exercises.

- **Tell Us Once (TUO)**

  The Fund participates in the 'Tell Us Once' service offered by registrars when deaths are registered. The quicker notification of deaths via TUO reduces the incidences of overpayment of pensions and unnecessary bureaucracy for bereaved relatives.

- **Data Quality**

  The Fund uses software supplier Heywoods' Data Quality Tool to check on live data accuracy after i-connect runs.

  The Fund also uses the Data Quality Service provided by Heywood to determine the scores for our common and scheme-specific (conditional) data which are included in The Pensions Regulator Annual Scheme Returns.

  The results of the data quality checks are summarised in the following table highlighting that in 2025 98.6% of records had all Common data i.e. member data that all schemes are required to hold for members, in the form of name, national insurance number, date of birth, gender and dates of pensionable service.

  97.73% of the records had all Conditional data i.e. other member data required to enable pension providers to administer their scheme.

  The Fund is committed to continually improving the quality of the member data held to ensure that all relevant information is held. The following tables summaries some data quality statistics:

Table 11 – Data Quality

Annual Benefit Statements	
Percentage of annual benefits statements uploaded to MSS by 31 August 2025	100%
Data Quality	
Common data score	98.6%
Conditional data score	97.7%
Percentage of deferred members recorded as "gone away" with no home address held, or address is known to be out of date	7.2%
Percentage of active, deferred and pensioner members with an email address on file	69%
Employer Performance	
Percentage of employers set up to make monthly data submissions	83%
Percentage of employers who submitted data on time during the reporting year	100%

Use of Information Technology

Most employers are now using i-Connect, which electronically integrates payroll systems with the pension administration software. This has resulted in further efficiencies in the creation and updating of member records and improved data quality. Member records are updated after each payroll run, meaning the year-end process is much less onerous than in previous years.

Internal Dispute Resolution Cases

Any queries from members are directed, in the first instance, to the administration function to resolve. If a member remains unhappy with the decision, the member can invoke the Internal Dispute Resolution Procedure (IDRP). The Fund's IDRP guide is available on the website. Internal Dispute Resolution Procedure | Fife Pension Fund

A Panel has been appointed to consider appeals. To provide a mix of expertise and experience, the Panel is made up of: -

- Head of Legal & Democratic Services (Chair)
- Head of Human Resources
- Head of Finance
- Executive Director, Finance & Corporate Services for cases where a panel member had an earlier involvement in a dispute.

All cases are processed through the Head of Legal & Democratic Services who determines the most appropriate person from the panel to deal with the case, having regard to the issues.

Appeals Against Employer Decisions in 2025-26

Reason for Appeal	Number	Decision
Appealing employer's refusal to grant ill health retirement	6	2 appeals upheld. 1 not upheld 3 pending

Fund Update

Membership details are shown below: -

Member Status	2025-26	2024-25
Active roles	16,287	16,327
Pensioners	17,439	16,625
Deferred role	8,542	8,432
Total	**42,268**	**41,384**

The Fund invested and administered pensions on behalf of 17 current and former employers during 2025-26. These include scheduled bodies, brought into the Fund by legislation, and admitted bodies which chose to join the Fund. The detailed listing of employers is contained on page 70 of the Annual Report and Accounts.

Future Years

Looking ahead, the Fund will continue to manage a significant programme of business-as-usual activity alongside several strategic development areas set out in the 2026-27 Business Plan. A key priority will be completing and implementing the review of the staffing structure and resource model to ensure the Fund has sufficient capacity, resilience and specialist skills across governance, risk, investment, systems development, administration and business improvement. The revised structure will support delivery of statutory responsibilities, strengthen governance arrangements and enable more proactive progress on service improvement and digital developments.

The 2026 triennial actuarial valuation will be a major area of work during the coming year. This will require close working with the Fund Actuary, employers, Committee and Board members to ensure complete and accurate data provision, consideration of funding assumptions, employer consultation and clear communication of the valuation

outcomes. The valuation will also inform updates to key governance documents including the Funding Strategy Statement, Administration Strategy and associated policies.

Alongside the valuation, the Fund will undertake a review of its Investment Strategy to ensure that the long-term investment approach remains aligned with the updated funding position, cash flow requirements, employer risk appetite and responsible investment objectives. This will include engagement with advisers, LPFI and the Joint Investment Forum, as well as Committee and Board training on investment risk, asset-liability modelling, responsible investment considerations and implementation planning. The Statement of Investment Principles and Statement of Responsible Investment Principles will be reviewed and updated as required.

The Fund will continue to strengthen governance and compliance arrangements, including progressing the General Code of Practice action plan, developing a standalone Conflicts of Interest Policy, reviewing governance documentation and maintaining quarterly risk and compliance monitoring. Developments in the wider LGPS landscape, including those arising from the Pensions Schemes Bill and any potential implications for the Scottish LGPS, will continue to be monitored, while the Fund progresses its own governance improvement programme.

For administration, work will continue on the McCloud remedy, Pensions Dashboards, annual benefit statements, HMRC reporting, member self-service promotion and day-to-day casework. Pensions Dashboards were originally expected to go live in October 2026 but indications are that this will be delayed until 2027 with Funds getting 6 months' notice of go live date. The Fund will continue to prepare its data, systems and communications accordingly. A communication plan will also be developed to ensure pension fund members and employers are kept informed of dashboard developments.

The Fund will also progress administration improvement priorities identified through the CEM benchmarking exercise, including member satisfaction surveys, digital engagement metrics, improved data capture for service measures, deferred member tracing and improved communication workflows. These improvements will be phased, with some actions extending beyond 2026-27 depending on the additional capacity created through the structure review.

A wider improvement agenda will continue to be taken forward, prioritising training and knowledge assessment requirements, strengthening risk management documentation and internal control mapping, improving governance workflows, enhancing cyber controls and developing digital and process improvements. Longer-term developments, including expanded responsible investment reporting, KPI reporting enhancements, data quality work and administration process redesign, will be progressed on a phased basis as resources allow.

Overall, the Fund's focus will be on ensuring that it remains well governed, appropriately resourced and able to respond effectively to increasing statutory, regulatory, investment and service delivery demands, while continuing to protect members' interests and provide clear, timely support to employers and stakeholders.

Acknowledgements

Thanks are extended to Pension Committee and Pension Board members and officers of the Council for their work during 2025-26. The production of the accounts is a

collective effort, and the unaudited accounts were again completed before the 30 June deadline, which is a significant achievement.

Ken Gourlay
Chief Executive

Elaine Muir FCCA
Executive Director Finance and Corporate Services

Councillor Dave Dempsey
Convener of Pensions Committee

FIFE PENSION FUND ANNUAL GOVERNANCE STATEMENT

Roles and Responsibilities

Fife Council has statutory responsibility for the administration of the Local Government Pension Scheme (LGPS) in Fife.

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

Fife Council carries out its role as administering authority via

- The Pensions Committee
- The Fife Pension Board
- The Joint Investment Forum (JIF)
- Finance & Corporate Services Directorate and the Pensions Governance Group (PGG)

Scope of Responsibility

As the administering authority of the fund, the Council is responsible for ensuring its business is conducted in accordance with the law and appropriate standards, and that monies are safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a statutory duty to make arrangements which secure best value under the Local Government in Scotland Act 2003.

In discharging this overall responsibility, the Pensions Committee, elected members, senior officers and external representatives are responsible for implementing proper arrangements for the governance of its affairs, which includes arrangements for the management of risk.

The Council adheres to a Code of Corporate Governance (the Code) which is consistent with the principles and the requirements of the CIPFA/SOLACE (Chartered Institute of Public Finance & Accountancy/Society of Local Authority Chief Executives and Senior Managers) Framework “Delivering Good Governance in Local Government”. The work of the Fife Pension Fund is governed by this Code and by regulations specific to administration of pension funds.

The PGG is an officer’s group, chaired by the Head of Finance, which meets quarterly, and its purpose is to provide assurance to the Committee and the Board through the monitoring of the requirements measured by the Pensions Regulator’s General Code of Practice (GCoP) and reviewing and managing risk. The work of the PGG now includes monitoring the requirements of the GCoP and progress against the action plan developed.

Governance Framework

The governance framework comprises the systems and processes, culture, and values by which the Pension Fund is directed and controlled and the activities through which it engages with and informs employers and members. It enables the fund to monitor its

achievements to its strategic objectives and to consider whether these objectives have led to the delivery of appropriate outcomes.

The administering authority places reliance on its internal controls and the monitoring of these controls is significant along with the management of the risks associated with the fund. It cannot eliminate elements of risk; neither can it eliminate the potential risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The level of internal controls is significant in managing the level of risk and the prioritisation of risks to the achievement of the fund's objectives, to evaluate the likelihood of the risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically. In terms of the investments, the Pension Fund has taken advice from appropriately qualified professional advisers to manage risk exposure and balance risk and return.

The key elements of the governance framework within the administering authority include:

- Adherence to the Local Government Pension Scheme (Scotland) Regulations. These include requirements for the preparation of key documents including a Statement of Investment Principles (SIP) and a Funding Strategy Statement, which can be viewed at Statement of Investment Principles 2025 | Fife Pension Fund and Funding Strategy Statement 2024 | Fife Pension Fund. In addition to setting out the fund's objectives, these documents also detail the controls in place to mitigate some of the risks facing the fund
- Integrating compliance with Pension Regulator's General Code of Practice
- A structured programme to ensure the Pension Board and the Pensions Committee have the opportunity to acquire the knowledge and understanding of LGPS matters
- Systematic reporting of Key Performance Indicators to allow monitoring of performance by the Pensions Committee, Pension Board and Senior Officers
- Operating within clearly established investment guidelines defined by LGPS Investment Regulations and the fund's SIP (links above)
- Compliance with the CIPFA Principles for Investment Decision making and Disclosure in LGPS
- Operating within the relevant governance policies and procedures to ensure compliance with the Financial Conduct Authority's rules, regulations, and guidance
- Holding investments under custody by a global custodian with the fund benefitting from the custodian's extensive internal control framework
- Benchmarking of administration and investment costs against other pension funds using established industry processes
- A Risk Management Manual which includes Policy and Strategy as well as regular monitoring of risks.

The key responsibilities of the systems and processes that comprise the Fund's governance arrangements sit with:

Pensions Committee

Delegation

The function of maintaining the Fife Council Pension Fund is delegated by the Council to the Pensions Committee. The committee is made up of nine elected members. The Corporate Code of Governance clearly defines the roles and responsibilities for the committee.

Terms of Reference

The committee ensures that there is an effective governance framework relating to the management and administration of the Pension Fund. The committee considers the policies developed to meet the objectives of the fund and monitors progress on the delivery of the strategic objectives as defined in the Code. All reports considered by the committee identify key risks involved in any proposed decision and the nature of mitigation, together with any legal or other issues which may arise.
Members of the Committee and the Pension Board are required to undergo specific training to meet the needs of the role and responsibility of the management of the fund with clear delegation arrangements and protocols for communication.

The Service Manager - Audit and Risk Management Services reports matters relating to the Pension Fund to committee, including providing independent assurance on the framework of governance, risk management and control. A full risk register is maintained by the PGG and allows detailed risk monitoring and review, with quarterly updates now being provided to committee.

The committee's Terms of Reference are detailed in Fife Council's List of Committee Powers which can be viewed at: List of Committee Powers - 12.12.24

Frequency of Committee Meetings

Meetings of the committee are quarterly. Occasional ad-hoc meetings are also held as required. Committee meeting dates are listed on the Council committee diary which is available at Pensions Committee | Fife Council

Details of attendance at both committee meetings and training are provided in the following table:

Pension Committee Attendance at Committee and Training Events in 2025/26

Key	
Training Completed / Attended/Watched	✓
Training Partially Completed /Attended	
Total hours achieved	
Not applicable	
Non attendance	x

Date		Cllr. Dempsey (convener)	Cllr Pryde (vice convener)	Cllr Davidson	Cllr Liston	Cllr Alexander	Cllr Bruce Neal	Cllr Anis-Miah	Cllr Calder	Cllr Cavanagh (joined Dcemeber 2025)	Cllr Patrick (resigned November 2025)
Committee											
20 June 2025		✓	✓	A	✓	✓	✓		✓		
30 June 2025		✓	✓	✓	✓	✓			✓		
30 September 2025		✓	✓	✓	✓	✓	✓		✓		
18 December 2025		✓	✓	✓	✓	✓	✓		✓	✓	
24 March 2026		✓	✓	A	✓	✓	✓	✓	✓	✓	
% Attended		**100%**	**100%**	**60%**	**100%**	**100%**	**80%**	**20%**	**100%**	**100%**	**0%**
Training attended in Year											
Internal Training - 02 June 2025	2.5 hours	✓	✓	x	x	✓		x	✓		x
LGC Edinburgh - 30 & 31 Oct 2025	9 hours	✓	x	x	x	x		x	x		x
Pensions UK - Trusteeship - 04 Nov 2025	8 hours	x	x	✓	x	x	x	x	x		x
Baillie Gifford Seminar - 18&19 Nov 2025	12 hours	✓	✓	x	x	x	x	x	x		x
Internal Training - 20th Nov 2025	2.5 hours	✓		x	✓	✓	✓	✓	✓		x
Employer Forum - 19 Feb 2026	2 hours	✓		✓	✓	✓	x	x	x	x	
Internal Training - 23 Feb 2026	3 hours	✓	✓	✓	✓	✓	x	✓	✓	x	
Joint Investment Training - 9th Mar 2026	2.5 Hours	✓	✓	✓	✓	✓	x	x	✓	✓	
Pensions UK Investment Conference	20 Hours	✓	x	x	x	x	x	x	x	x	
Conf - Creating a Sustainable Future	11.5 hours	✓	✓	x	x	x	x	x	x	x	
Other Training	Various	x	x	x	x	x	x	x	x	✓	
Reading/ Webinars	Various	✓	x	✓	✓	✓	✓	✓	✓	x	
Total Hours in year		**66**	**34**	**18.5**	**17**	**15**	**15.5**	**14**	**14.5**	**9.5**	**0**
Mandatory Modules Completed		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Total Hours Required in Year (pro-rata as required)		14	14	14	14	14	14	14	14	4.5	9.5
Balance Outstanding		0	0	0	0	0	0	0	0	0	9.5

Cllrs Cavanagh and Calder have subsequently resigned from the committee in May and June 2026.

The Fife Pension Board

The Pension Board has been established 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; and
- In ensuring the efficient and effective governance and administration of the scheme

The Board comprises 4 employee representatives appointed by Trade Unions and 4 employer representatives. It meets concurrently with the Pensions Committee and considers the same agenda. In addition, the Board may meet separately both before and after the committee meeting to consider committee decisions giving an additional level of scrutiny.

During 2025-26, there was a vacancy for an employer representative on the Pension Board for the full year. Approval to appoint a replacement representative was given on 24 March 2026, with arrangements progressed in line with the Board's constitution.

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 Fife Pension Board Constitution | Fife Pension Fund. The constitution was revised in 2024-25 to change the employer representative composition from two admitted body representatives and two scheduled body representatives to four employer representatives drawn from any employer type, and to reflect the introduction of a Vice Chair role.

In line with its constitution, Fife Pension Board has prepared and published an annual report, details can be found here Fife Pension Board Annual Report 2025-26 | Fife Pension Fund

Details of attendance of Pension Board members at both committee meetings and training are provided in the following table:

Key	
Completed / Attended/Watched	✓
Partially Completed /Attended	
Total hours achieved	
Not applicable	
Apologies	A
Non attendance	x

Date		Cllr. Adams (employer representative)	Cllr Ballantyne-Wardlaw (employer representative)	Vicki Wyse (employer representative)	Victoria Stokes (employer representative - from 24 March 2026)	Robert Graham(GMB) (employee representative)	Ross Hugh (Unite) (employee representative)	Colin Paterson (Unison) (employee representative)	Thomas Templeman (Unison) (employee representative)	Debbie Fyfe (Unison) (Employee Representaitve Substitute)
Committee										
20 June 2025		✓	✓	✓		✓	✓	✓	✓	
30 June 2025		✓	✓	✓		✓	✓	✓	✓	
30 September 2025			✓	✓		✓	✓	✓	✓	
18 December 2025		✓	✓	✓		A	A	A	A	✓
24 March 2026		✓	✓	✓	✓	✓	A	✓	✓	✓
% Attended		**80%**	**100%**	**100%**	**100%**	**80%**	**60%**	**80%**	**80%**	**100%**
Pre and Post Committee meeting attendance										
17 June 2025 (pre)		✓	✓	✓		✓	✓	✓	✓	
20 June 2025 (post)		✓	A	✓		✓	✓	✓	✓	
26 June 2025 (pre)		A	A	A		A	✓	✓	✓	
30 June 2025 (post)		✓	✓	✓		A	✓	✓	✓	
26 September 2025 (pre)		A	✓	✓		✓	A	✓	A	✓
30 September 2025 (post)		A	✓	✓		✓	✓	✓	A	
17 December 2025 (pre)		A	✓	✓		✓	✓	A	A	✓
18 December2025 (post)		✓	✓	✓		A	A	A	A	✓
23 March 2026 (pre)		✓	✓	A	✓	✓	A	✓	✓	✓
24 March 2026 (post)		✓	✓	✓	✓	✓	A	✓	✓	✓
% Attended		**60%**	**80%**	**80%**	**100%**	**70%**	**60%**	**80%**	**60%**	**100%**
Training in Year										
Induction Training	1.5 Hours				✓			✓		
Internal Training - 02 June 2025	2.5 hours	✓	✓	x		✓	✓		✓	✓
LGC Edinburgh - 30 & 31 Oct 2025	9 hours	x	x	x		✓	✓	x	x	x
Pensions UK - Trusteeship - 04 Nov 2025	8 hours	✓	x	x		x	x	x	x	x
Baillie Gifford Seminar - 18&19 Nov 2025	12 hours	x	x	✓		x	✓	x	x	x
Internal Training - 20th Nov 2025	2.5 hours	x	✓	✓		✓	x	✓	✓	✓
Employer Forum - 19 Feb 2026	2 hours	✓	✓	✓		✓	x	x	✓	
Internal Training - 23 Feb 2026	3 hours	✓	✓	x		✓	x	✓	✓	✓
Joint Investment Training - 9th Mar 2026	2.5 Hours	✓	✓	x	✓	✓	✓	✓	✓	✓
Pensions UK Conference	20 Hours	✓		x		x	✓	x	x	x
Conf - Creating a Sustainable Future	11.5 hours	✓	✓	x		x	✓	x	x	x
Reading/Webinars	Various	x	x	x		x	x	✓	x	x
Other Training	Various	x	x	x		x	✓	✓	✓	✓
Total Hours in year		**49.5**	**29.5**	**16.5**	**4**	**21.5**	**84.5**	**21**	**17.5**	**17.5**
Mandatory Modules Completed		✓	✓	✓	x	✓	✓	✓	✓	✓
Total Hours Required in Year (pro-rata as required)		14	14	14	4	14	14	14	14	14
Balance Outstanding		0 26	0	0	0	0	0	0	0	0

Executive Director of Finance and Corporate Services

The Council's Executive Director Finance and Corporate Services is the Officer with responsibility to ensure proper administration of the Council's financial matters in terms of Section 95 of the Local Government (Scotland) Act 1973. The Executive Director is responsible both for the Council's role as employer and administrating authority and has responsibility to ensure appropriate controls are in place to:

- Safeguard the contributions made by employees and employers to provide funds to meet the future liabilities of the fund's members
- Ensure control over the investment managers charged with growing the value of the fund to meet the future liabilities
- Ensure benefits are paid to members of the fund on time and in full
- Provide annual benefit statements and pension savings statements to members in line with statutory deadlines
- Ensure triennial valuations are obtained

In addition, the responsibilities also include the following: -

- Financial accounting for the fund
- Preparation of the Pension Fund Annual Report
- Implement the decisions of the committee and for the day-to-day management of the affairs of the fund

These responsibilities are managed by the Head of Finance who is also the lead officer for the Pensions Committee.

Pension Governance Group (PGG)

The officers' PGG is chaired by the Head of Finance and is responsible for considering a range of pension matters, including governance, actuarial issues, risk management, administration and business planning. The group helps ensure the fund's governance arrangements align with the Pensions Regulator's General Code of Practice and reviews fund risks to make sure they are being managed appropriately. It reviews and updates the fund's risk register quarterly before reporting to committee. A significant development for the PGG was the introduction of the Pensions Regulator's General Code of Practice, which took effect on 28 March 2024. The PGG assessed existing practices and policies against the Code, completed a gap analysis and developed an action plan. Progress against the action plan is reviewed quarterly, and the compliance assessment is updated as actions are completed.

External Advisers

Fife Pension Fund works in collaboration with City of Edinburgh Council for the provision of investment advisory services from its arms-length organisation LPFI Limited, the investment services company owned by Lothian Pension Fund. This is the seventh year of collaboration and officers have continued to participate in the Joint Investment Forum (JIF).

Strategic investment advisory services are provided by LPFI Limited and, two independent Investment Advisers as members of the JIF. The independent advisers provide advice to the committee and Head of Finance as well as providing training for

committee and Board members from time to time. The JIF meets on a quarterly basis and there is regular dialogue with advisers of LPFI Limited and the independent advisers out with these meetings. The investment strategy for the fund is approved by the Pensions Committee. Implementation of the strategy is delegated to the Head of Finance, who considers advice from the JIF, including the independent advisers before assessing the risk and return and managing the implementation process.

From time-to-time Hymans Robertson are also commissioned to provide advice on investment matters, such as review of the investment strategy.

Hymans Robertson are the actuary to the fund and provide advice on funding and actuarial valuations.

Although these functions are carried out by the same company, they are dealt with in different divisions in the company with clear segregation of functions. The services concerned are tendered for separately.

The fund employs several investment managers who invest in assets for the fund in accordance with agreed objectives.

The relationship with LPFI Limited continued to expand to increase the use of LPFI's internal investment management capabilities with LPFI Limited now acting as an investment manager for some of the Fife investment portfolios. This is in line with the intended benefits sought through the collaboration arrangement.

Northern Trust is the global custodian for the fund and is responsible for the safekeeping of assets including transaction processing, making tax claims and securities lending on behalf of the fund.

The fund continues to implement responsible ownership, and this is recognised in the SIP and the Statement of Responsible Investment Principles (SRIP). In respect of responsible investment, the committee continued their relationship with Federated Hermes Equity Ownership Services (EOS). Federated Hermes EOS helps institutional owners around the world to meet their fiduciary responsibilities and become active owners of public companies. Federated Hermes EOS undertakes engagement with businesses on areas of concern and are actively involved in lobbying for improved governance in companies around the world.

An Independent Professional Observer (IPO) is employed to provide expert support and guidance to both the members of the committee and the members of the Pension Board to assist them in discharging their duties in relation to the Pension Fund. The IPO has attended committee meetings and participated in providing training at internal training events, as well as attending Pension Board meetings. The IPO also attends the JIF on an annual basis and provides feedback.

Review of effectiveness

Internal Control

The Council and the Pension Fund have robust systems of internal controls in place to manage administrative, management and investment risks. The system of internal control is an ongoing process designed to identify and prioritise risks to the achievement

of the fund's policies, aims and objectives to evaluate the likelihood of those risks being realised and the likely impact.

The fund also uses the Pensions Regulator's General Code of Practice in addition to its own governance checklist ensuring compliance with the pension regulations. The PGG have responsibility for ensuring compliance with the pension regulations and meet quarterly in addition to managing an annual assessment of compliance with the code.

The fund is also subject to internal audit which offers a measure of reliance on the effectiveness of controls and measurement of risk and how well this has been embedded across the organisation. It also offers a route for robust governance and improvement by continuing to implement and embed recommendations, controls and risk management which will help the fund move towards compliance with the GCoP's requirements.

The administering authority has a risk management manual specific to the Fife Pension Fund; however, as set out in the future developments section of this document, the manual is scheduled for review and update in the coming financial year.

The Pension Fund risk register is managed in accordance with the manual. The fund specific risk register is reviewed by the PGG every quarter and is subject to regular update. The current risk register is also considered by the Committee and Board on a quarterly basis.

Risk awareness is embedded into the investment strategy, the valuation process and performance management processes.

The fund also produces a breakdown of key administration performance indicators which are included in the Pension Fund Annual Report. Administration performance reports are presented to the committee on a quarterly basis.

External Control

Investments are held and managed by several investment managers, as such, the Fund seeks assurance that the relevant internal controls are in place in these organisations. This is carried out by reviewing these organisation's internal control reports and the associated audit reports.

The results indicated "reasonable assurance" that controls are in place could be obtained from the audit processes, except for two managers – Gresham Forest Carbon whose auditor, Grant Thornton UK LLP, issued a qualified opinion. These reflected exceptions identified in relation to 2 investment transactions being reviewed and approved after execution. The auditor also noted that one control activity did not operate during the specified period because there was no in-scope third party, and it therefore could not be tested. The report contains a management response outlining the actions to address these exceptions. Janus Henderson's auditor, PWC LLP, also issued a qualified opinion. This opinion was identified as auditors' notes exceptions related to segregation of duties. The report contains a management response outlining the actions to address these exceptions.

The results of the full review are detailed in the table below:

Manager	Type of Report	Assurance Obtained	Reporting Accountant
Alinda (Apex Group Ltd)	SSAE18 & ISAE 3402	Reasonable Assurance	Deloitte LLP
Baillie Gifford	ISAE 3402	Reasonable Assurance	PWC LLP
Blackrock	ISAE 3402	Reasonable Assurance	Deloitte & Touche LLP
CBRE	AAF01/20 & ISAE 3402	Reasonable Assurance	Deloitte LLP
Dalmore	ISAE 3402	Reasonable Assurance	PWC LLP
GIP Aquarius Fund (J.P. Morgan) (IT controls)	ISAE 3402	Reasonable Assurance	PWC LLP
GIP Aquarius Fund (J.P. Morgan) (Private Equity and Real Estate Services and Portfolio Admin System)	Bridging Letter		
Gresham House Forest Carbon	ISAE 3402 plus bridging letter	Qualified Opinion	Grant Thornton UK LLP
Janus Henderson	ISAE 3402	Qualified Opinion	PWC LLP
Legal & General Investment Management	AAF01/20 & ISAE 3402	Reasonable Assurance	KPMG LLP
Partners Group	ISAE 3402	Reasonable Assurance	PWC LLP
State Street	SOC1 Report and bridging letter	Reasonable Assurance	Ernst & Young LLP
Royal London (SS&C Financial Services)	SOC1 Report	Reasonable Assurance	Ernst & Young LLP
Iona Environmental Infrastructure (Langham Hall)	ISAE 3402	Reasonable Assurance	PWC LLP
UK Gas Distribution	SOC1 Report and bridging letter	Reasonable Assurance	Ernst & Young LLP
Alcentra Clareant European Direct Lending Fund	ISAE 3402 and bridging letter	Reasonable Assurance	Deloitte LLP
Equitix	ISAE 3402	Reasonable Assurance	BDO LLP
Infracapital Greenfield partners	ISAE 3402	Reasonable Assurance	PWC LLP
Macquarie Infrastructure Debt Fund 2 LP	ISAE 3402	Reasonable Assurance	PWC LLP
Adrian Infrastructure TSH Fund	ISAE 3402	Reasonable Assurance	PWC LLP

Alcentra Direct Lending	ISAE 3402	Reasonable Assurance	Deloitte LLP
Madison MCF Senior Debt Fund	SSAE18	Reasonable Assurance	PWC LLP
Madison MCF Sent Debt Fund IT	SSAE18	Reasonable Assurance	PWC LLP
Greencoat Solar II LP (Ocorian)	ISAE 3402 and bridging letter	Reasonable Assurance	Grant Thornton Ireland
LPFI	Controls Letter (30 June 2026)	No issues identified	LPFI Risk and Assurance Team and Internal Audit Team
Custodian			
Northern Trust	SOC1 Report	Reasonable Assurance	KPMG LLP
Software Supplier			
Heywood Altair System (Service Express Europe Ltd)	SOC 2 Type II Report	Reasonable Assurance	Forvis Mazers LLP

Key:

Report Title	Definition
SSA E18	Statement on Standards Attestation Engagements no. 18
ISAE 3402	International Standard on Assurance Engagements 3402, Assurance Reports on Controls at a Service Organisation
AAF01/20	ICAEW Assurance on internal controls of service organisations guidance
SOC1	Systems and Organisation controls
SOC 2	Systems and Organisation Controls 2
Controls Letter	LPFI provided a letter confirming controls in place and the findings of External Audit

Audit and Risk Management Services Overall Conclusion

Audit and Risk Management Services provides another important source of information to inform the Annual Governance Statement. The internal audit function for the Fife Pension Fund operates in accordance with the Global Internal Audit Standards in the UK Public Sector, which came into effect from 1 April 2025 and the Local Authority Accounts (Scotland) Regulations 2014. Work has been undertaken during 2025/26 to support alignment with the new standards. The Service Manager, Audit and Risk Management Services provides an annual report to the Pensions Committee and Board, Fife Council Chief Executive, Executive Director - Finance and Corporate Services and Head of Finance, including the internal audit overall conclusion on the adequacy and effectiveness of the organisation's governance, risk management and control framework. For the year to 31 March 2026, the overall conclusion reached is that reasonable assurance can be placed upon the adequacy and effectiveness of the Fund's framework of governance, risk management and control.

During 2025-26 the following assurance reviews were undertaken

- Follow up review (Pensions Contributions)
- McCloud Judgement
- Environmental Social and Governance (ESG)
- Post Audit Reviews

Based on the audit work undertaken, it is The Service Manager, Audit and Risk Management's overall conclusion that reasonable assurance can be placed on the adequacy and effectiveness of Fife Pension Fund's framework of governance, risk management and control for the year to 31 March 2026.

The external auditor firm appointed, to carry out the audit of the Fife Pension Fund, is Azets. An audit opinion is provided separately in the fund's audited Annual Report and Accounts.

Governance Issues

There were no significant governance issues in 2025-26 specific to the Fife Pension Fund. Nor were there any significant governance issues within the Councils governance statement of relevance to the Fife Pension Fund.

Throughout the financial year attendance at training events and non-compliance with the training policy has been highlighted as a governance issue. Action has been taken to help support elected members to meet the requirements of the training policy and there has been significant improvement in compliance.

During 2025-26, work on the McCloud remedy continued, with progress made across a number of member categories. The 2026 Annual Benefit Statements for both deferred and active members were produced within the statutory deadline and include McCloud rectification where it applies. The remaining rectification work is focused on transfer cases involving members within the remedy period, where further checks are being undertaken to confirm that complete membership information has been obtained and correctly applied when determining whether a McCloud underpin adjustment is due. Affected members have been contacted and advised that these reviews are ongoing, with completion intended by 31 March 2027. In line with the Fund's breaches policy, the transfer-related McCloud matter was reported to The Pensions Regulator as a precautionary breach after the year end and will continue to be monitored through the Fund's governance and risk arrangements.

The fund's Breaches of the Law policy can be viewed at fife-pension-fund-breaches.pdf (fifepensionfund.org)

Governance Compliance

The Local Government Pension Scheme (Scotland) Regulations 2018 require each administering authority to publish a Governance Compliance Statement, detailing how their governance arrangements comply with best practice guidance issued by Scottish Ministers. Details of how the fund complies are included in the Governance Compliance Statement. Fife Council Pension Fund is compliant with all principles with the exception of training where partial compliance is recorded. Partial compliance is recorded because not all members of the committee have complied with the policy and completed the minimum training requirement required by the policy.

Governance Arrangements – Areas of Improvement and Development

A number of improvement areas were identified for 2025-26 and beyond. The following sections summarise progress made and the action plan for further development.

Some planned development work during the year, including the review of team structures, was delayed by the absence of a key member of staff. With team capacity now improved, this work is back on track and progressing as part of the wider programme of service improvement.

During the year, the Head of Finance was appointed to the role of Executive Director of Finance and Corporate Services. Handover arrangements to the new Head of Finance are in place to support continuity of leadership and oversight of pension fund responsibilities during the transition.

Completed Improvements

- An extensive review of the Pensions Regulator's General Code of Practice was undertaken. Using a self-assessment tool and supporting evidence, a gap analysis and assessment of compliance with the Code were completed. An action plan was then developed, with progress against actions monitored and reported to committee. The self-assessment is now reviewed annually and reported to committee.
- The following policies and statements were routinely reviewed and updated in 2025-26, including to reflect the requirements of the General Code of Practice and officers' responsibilities:
    - Statement of Investment Principles,
    - Statement of Responsible Investment Principles,
    - Funding Strategy Statement,
    - Communication Policy,
    - Administration Strategy
    - Training Policy.
- The Pensions Committee and Pension Board were provided with in-house training covering investments, governance and an introduction to the LGPS. Throughout 2025-26 training sessions have been provided covering:

    - Collaboration Arrangement, market developments
    - Annual Report and accounts
    - Responsible Investment – review of SRIP and climate policy
    - The Pension Scheme bill and potential implications for the Scottish LGPS
    - Actuarial Items – GAD Report, Funding Strategy Statement and valuation
    - Employer Forum
    - Role of Custodian
    - Valuation 2026
    - CEM Benchmarking
    - Joint Investment Training (Fixed income, responsible investment, introduction to new fund manager and investing in housing)
    - Pensions UK Conference
    - LGC Investment Seminar
    - Creating a Sustainable Future

- Investment reporting was revised during the year so that full investment reporting is now provided on an annual rather than quarterly basis. This aligns reporting with the long-term nature of investment performance, while allowing quarterly committee reports to focus on key developments, decisions and exceptions.
- A Business Plan was developed and presented to committee for 2025-26. Quarterly reporting continued to develop and include progress against the Business Plan. This is included in the quarterly reports alongside progress on business-as-usual activities.
- For the first time, the fund participated in CEM benchmarking for pensions administration. This provides an additional source of comparative information to help assess service performance, costs and areas for further improvement.
- Work has started on a review of team structures, building on the earlier Administration Service Review carried out by Hymans Robertson. The recommendations from that review will inform the next phase of the structure review.
- Controls around Cyber Security have been enhanced and regularly reviewed to ensure they remain effective, including assurances from suppliers, staff training and staff awareness.

Future Developments and Improvements

Continual review of governance arrangements over the year, as well as the annual review of the Governance Compliance Statement ensures that improvement areas are identified and taken forward by the fund. The action plan below highlights the key improvement activity that will take place over the coming year.

Development	Responsible Officer	Timescales
As detailed in the Business Plan a review of resource levels will be a major priority in 2026-27. Several areas of improvement in all aspects of managing the fund including digital enhancements, administration service review, investment activity, risk management and KPIs have been identified but it is recognised that resources in the Team need to be augmented in order to achieve the level of ambition set out in the business plan. The structure of the team needs enhanced to create capacity and provide dedicated resources to take this work forward.	Pensions Service Manager	March 2027
A series of training events complementing committee business will continue for committee and board members with evaluation questionnaires being used to improve and enhance the event going forward. A knowledge assessment process will be adopted to allow identification of knowledge gaps which will also inform training requirements. The training policy will also be kept under review particularly in relation to regulatory requirements in this area and the need for mandatory participation in training. This will include reviewing the policy and examining any barriers to compliance.	Pensions Service Manager	Ongoing

Work required on Risk Management has not been advanced. It is intended to deliver this development during 2026/27 and will include a Review of the Risk Management Manual including the policy and framework. Additionally, the process for recording and reviewing risks will also be revised to ensure that the outcome of risk reviews is formally recorded in the appropriate system.	Pensions Service Manager	December 2026
Developments arising from the Pensions Schemes Bill will continue to be monitored, including the impact of extending the powers to the Scotland and the potential changes to the Scottish LGPS in respect of pooling arrangements and governance reviews.	Pensions Service Manager	Ongoing

Access to Information

- The committee agenda papers and minutes can be viewed at Pensions Committee | Fife Council and
- The fund's Annual Reports, Governance Statement and all principal documents relating to governance and risk management are available on: www.fifepensionfund.org

Certification

It is our opinion, considering the foregoing, that reasonable assurance can be placed upon the adequacy and effectiveness of the systems of governance. We consider the governance and internal control environment operating during the financial year from 1 April 2025 to 31 March 2026 to provide reasonable and objective assurance. Any significant risks impacting on the council as administering authority and its ability to achieve its objectives in properly administering the fund have and will continue to be identified, and actions have and will be taken to avoid or mitigate the impact of any such risks.

Where areas for improvement have been identified and action plans agreed, these will be treated as priority and progress towards implementation will be reviewed through the governance structures and processes established for the council as administering authority and summarised herein. Governance arrangements will continue to be reviewed and enhanced, as necessary.

Ken Gourlay
Chief Executive

Councillor Dave Dempsey
Convenor of the Pensions Committee

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 Pensions Committee, a Committee of Fife Council.	Yes	
		The Council's List of Committee Powers sets out the Committee's remit.		
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 Committee is made up of 9 councillors from Fife Council. The establishment of the Pension Board has formalised the involvement of employers and trade unions representing the scheme membership.	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.	N/A	
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.	N/A	

	Compliance Standard	Arrangements in Place/Action Taken	Action Complies with Principle?	Reason for non-compliance
			Yes / No / Partial	(if applicable)
		Representation		
2.1	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure.	The Committee and Pension Board meet jointly for every Committee meeting. Chair and Vice Chair of Pension Board also attends agenda planning meetings		
	These include:-			
	i) employing authorities (including non-scheme employers, e.g. admitted bodies);	Fife Council is represented. The Board has 4 employer representatives. There was a vacancy throughout 2025-26, this has been filled.	Yes	
	ii) scheme members (including deferred and pensioner scheme members);	The Board has 4 employee representatives appointed by the Trade Unions.	Yes	
	iii) where appropriate independent professional observers;	The fund employs an Independent Professional Observer who attends each Committte meeting and Pensions Board meetings.	Yes	
	and			
	iv) expert advisors (on an ad-hoc basis)	Expert Advisers attend routinely as required	Yes	
2.2	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.	All Committee members and Board representatives receive the same access to all papers and training and are given the opportunity to contribute, challenge and debate fully in the decision making process.	Yes	
		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 Committee are required to attend induction training, which also provides them with guidance from the Council's Democratic Services Division about their role and responsibilities. In addition they are all asked to complete The Pension Regulators e-learning toolkit.	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.	This is a standing item on every Committee agenda.	Yes	

	Compliance Standard	Arrangements in Place/Action Taken	Action Complies with Principle?	Reason for non-compliance
			Yes / No / Partial	(if applicable)
		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 equal voting rights.	Yes	
		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.	A training policy is in place which requires all new members of the Committee to undertake induction training provided by officers. Internal training events are designed to cover a range of pension administration, governance and investment matters. Seminars and training events are offered by the Fund's external professional advisers, Fund Managers and other providers.	Yes	
		Training costs and expenses incurred are met by the Pension Fund. This is documented in the training policy		
5.2	That where such a policy exists, it applies equally to all members	The Training Policy applies to all members of Committee and the Board.	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.	In line with the approved training policy, training is offered on a planned basis in line with Committee requirements, the policy requires a minimum of 14 hours per annum. Members are required to record details and advise of training attended. Monitoring of activities is reported to and undertaken by the Committee.	Partial	Partial compliance is recorded because there is not a an annual training plan for committee members. This is being developed.
		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.	N/A	

	Compliance Standard	Arrangements in Place/Action Taken	Action Complies with Principle?	Reason for non-compliance
			Yes / No / Partial	(if applicable)
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. The Pension Board formally provides for stakeholder involvement and representation.	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, Board representatives and observers are treated equally in terms of access to papers, documents and advice.	Yes	
		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 committee includes all pension related matters within the terms of Local Government Pension Scheme legislation and the Pensions Regulator requirements.	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.	The Annual Governance Statement and Governance Compliance statement are included in the Pension Fund Annual Report and Annual Accounts. An annual report on compliance with the Pensions Regulator's General Code of Practice is presented to Committee and Board. Council governance documents are available on the Council website	Yes	

Ken Gourlay
Chief Executive

Councillor Dave Dempsey
Convener of Pensions Committee

ACTUARIAL STATEMENT – PROVIDED BY HYMANS ROBERTSON

This statement has been prepared in accordance with Regulation 55(1)(d) of the Local Government Pension Scheme (Scotland) Regulations 2013. 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), dated March 2024.

In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants;
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency;
- where appropriate, ensure stable employer contribution rates;
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy;
- use reasonable measures to reduce the risk of 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 stabilized to have a sufficiently high likelihood of achieving the funding target over 18 years. 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 at least a 80% likelihood that the Fund will achieve the funding target over 18 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 60 of the Local Government Pension Scheme (Scotland) Regulations 2014 was as at 31 March 2023. This valuation revealed that the Fund's assets, which at 31 March 2023 were valued at £3,420 million, were sufficient to meet 151% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2023 valuation was £1,148 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2024 to 31 March 2027 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 2023 valuation report and can be accessed at Valuation Report 2023

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 2023 valuation were as follows:

Financial Assumptions	31 March 2023
Discount rate	5.5%
Salary increase assumption	2.8%
Benefit increase assumption (CPI)	2.3%

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 2022 model, with a 25% weighting of 2022 data, a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	20.1 years	22.9 years
Future Pensioners*	20.7 years	24.6 years

* Currently aged 45.

Copies of the 2023 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and can be accessed at Valuation Report 2023 and Funding Strategy Statement 2024.

Experience over the period since 31 March 2023

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2023, impacting on investment returns achieved by the Fund's assets. Asset performance improved in 2024 and early 2025; however increasing uncertainty in the geo-political environment (eg US tariffs, Middle East conflict) have caused significant short-term market volatility. Overall, the Fund's investment returns since March 2023 have been positive.

Despite ongoing higher levels of inflation in the UK (compared to recent experience) resulting in cumulative LGPS benefit increases of 12.6% since 2023 (6.7% in April 2024, 1.7% in 2025 and 3.8% in April 2026) and a slight increase in the Fund's liabilities, the funding position is likely to be stronger than at the previous formal valuation at 31 March 2023.

The next actuarial valuation will be carried out as at 31 March 2026, and will be finalised by 31 March 2027. The Funding Strategy Statement will also be reviewed during the valuation, and a revised version will come into effect from 1 April 2027.

Adrian Loughlin FFA C.Act
For and on behalf of Hymans Robertson LLP
18 May 2026

Hymans Robertson LLP
20 Waterloo Street
Glasgow
G2 6DB

REMUNERATION REPORT

The Fife Pension Fund does not directly employ any staff. Therefore a remuneration report has not been included within the Annual Report.

All staff are employed by Fife Council, and their costs reimbursed by the Fife Pension Fund.

The members of the Pensions Committee and Pension Board are also remunerated by Fife Council or Admitted or Scheduled Bodies.

Details of Councillor and Senior Employee remuneration can be found in the accounts of Fife Council on the Council's website www.fife.gov.uk/Annual Accounts

STATEMENT OF RESPONSIBILITIES FOR THE PENSION FUND ACCOUNTS

The Administering Authority's Responsibilities

The Authority is required: -

- Make arrangements for the proper administration of Fife Pension Fund financial affairs and to secure that the proper officer 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.
- Manage the affairs of the Pension Fund to secure economic, efficient and effective use of resources and safeguard its assets.
- 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).
- Approve the Annual Accounts for signature.

I certify that these Annual Accounts were approved for signature by, or on behalf of, the authority.

Signed on behalf of Fife Council

Councillor Dave Dempsey
Convener of Pensions Committee

Responsibilities of Executive Director Finance and Corporate Services

The Executive Director Finance and Corporate Services is responsible for the preparation of the 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 are 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 Fife Pension Fund at the reporting date and the transactions of the Pension Fund for the year ended 31 March 2026.

Elaine Muir
Executive Director Finance and Corporate Services

Fife Pension Fund Accounts

Fund Account

The Fund Account sets out all income and expenditure of the Pension Fund.

2024-25 £m		Notes	2025-26 £m
	Dealings with members, employers and others directly involved in the fund		
(120.919)	Contributions Receivable	6	(126.261)
(2.911)	Transfers in from other pension funds		(4.113)
(123.830)			(130.374)
124.391	Benefits Payable	7	135.258
18.732	Payments to and on Account of Leavers	8	4.406
143.123			139.664
19.293	**Net (additions)/withdrawals from dealings with members**		**9.291**
14.274	Management Expenses	9	19.265
33.567	**Net (additions)/withdrawals including fund management expenses**		**28.556**
	Returns on investments		
(62.570)	Investment Income	10	(89.839)
0.532	Taxes on income		0.978
(94.789)	(Profit) and losses on disposal of investments and changes in the market value of investments	11a	(303.884)
(156.826)	**Net return on investments**		**(392.745)**
(123.259)	**Net (increase)/decrease in the net assets available for benefits during the year**		**(364.189)**
3,659.202	Opening net assets of the scheme at 1 April		3,782.461
123.259			364.189
3,782.461	**Closing net assets of the scheme at 31 March**		**4,146.650**

Fife Pension Fund Accounts

Net Asset Statement

The Net Asset Statement sets out the value, as at the statement date, of all assets and current liabilities of the Fund. The net assets of the Fund (assets less current liabilities) represents the funds available to provide for pension benefits as at 31 March 2026.

2024-25			2025-26
£m		Notes	£m
	Investments		
3,791.413	Investment Assets	11b	4,152.275
(1.155)	Investment Liabilities	11b	0.000
3,790.258	**Total net investments**		**4,152.275**
	Current Assets		
0.751	Contributions due from Employers		0.371
0.540	Cash Balances		3.975
0.399	Debtors	17	0.568
1.690			4.914
	Current Liabilities		
(5.730)	Unpaid Benefits		(6.020)
(3.757)	Other Current Liabilities		(4.520)
(9.487)			(10.540)
(7.796)	Net Current Assets & Liabilities		**(5.626)**
3,782.461	**Net Assets of the fund available to fund benefits at the end of the year**		**4,146.650**

Note: The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the year end. The actuarial present value of promised retirement benefits is disclosed at Note 16.

The unaudited financial statements were issued on 30 June 2026 and the audited accounts were authorised for issue on the 30 September 2026.

Elaine Muir
Executive Director Finance and Corporate Services

Notes to the Fife Pension Fund Accounts for the year ended 31 March 2026

1 Description of Fund

The Fife Pension Fund ('the fund') is part of the Local Government Pension Scheme (LGPS) and is administered by Fife Council. The council is the reporting entity for this fund.

General

The scheme is governed by the Public Services Pensions Act 2013. The fund is administerd in accordance with the following secondary legislation:

- the local Government Pension Scheme (Scotland) Regulations 2018 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) (Scotland) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Governance) (Scotland) Regulations 2015
- the Local Government Pension Scheme (Management and Investment of Funds)(Scotland) Regulations 2010 (amended by SSI 2016/74)

It is a contributory defined benefit pension scheme administered by Fife Council to provide pensions and other benefits for pensionable employees of Fife Council and a range of other scheduled and admitted bodies within the Fife area. Teachers cannot become members as they have other national pension schemes available to them.

The fund is overseen by the Pensions Committee which is a committee of Fife Council.

Membership

Membership of the LGPS is voluntary and employees are free to chose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. The fund is also open to elected members of the Council.

Organisations participating in the fund include the following:

- Scheduled bodies which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund
- Admitted bodies which are other organisations that participate in the fund under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

Fife Council Pension Fund	31 March 2025		31 March 2026
Number of employers	17		17
Number of employees in scheme			
Fife Council	14,296		14,383
Other employers	2,031		1,904
Total	**16,327**		**16,287**
Number of pensioners			
Fife Council	14,965		15,638
Other employers	1,660		1,801
Total	**16,625**		**17,439**
Deferred Members	**8,432**		**8,542**
Total number of members	**41,384**		**42,268**

1 Description of Fund (continued)

Changes in Membership

There were no changes in membership in 2025-26.

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the Local Government Scheme Regulations (Scotland) 2018. Employee contributions are enhanced by employers' contributions which are set based on triennial actuarial funding valuations.

Scheme Benefits

The LGPS is a defined benefits scheme which is exempt approved for tax purposes.

From 1st April 2015, benefits are built up at 1/49th of pensionable pay on a career average basis. Prior to that date benefits were built upon a final salary basis. These benefits are fully protected on the basis they were built up.

The following table gives a summary of scheme benefits

Membership up to 31 March 2009		Membership from 1 April 2009 to 31 March 2015		Membership from 1 April 2015
Annual Pension = (Service years / days x Final Pay) / 80		Annual Pension = (Service years / days x Final Pay) / 60		Annual Pension = Annual Pensionable pay/49
+		+		+
Automatic tax-free cash lump sum = 3 x pension		No automatic tax-free cash lump sum but can convert pension		No automatic tax-free cash lump sum but can convert pension
+		+		+
- Annual revaluation and pensions increase in line with CPI inflation - Partners' and dependents' pensions - Ill health protection - Death in service protection				

2 Basis of Preparation

The statement of the accounts summarises the fund's transactions for the 2025-26 financial year and its position at the year end as at 31 March 2026. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2025-26 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 16 of these accounts.

3 Statement of Accounting Policies

a) General

These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2025-26, (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 2018, such as the format of the accounting statements.

b) 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.

c) 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.

d) 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.

e) 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.

f) 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

g) 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. Distributions from pooled funds are recognised at the date of issue.

h) 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.

i) 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.

j) 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.

k) 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.

l) 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.

3 Statement of Accounting Policies (continued)

m) 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.

n) Actuarial Present Value of Promised Retirement Benefits

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

As permitted under the Code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of note to the net asset statement (Note 16).

o) 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 provider Clerical Medical no longer accepts new admissions.
AVC's are not included in the accounts in accordance with Regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010 but are disclosed as a note only (Note 18)

p) 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.

q) Fair value measurement

The Fund measures its financial assets at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.
Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date;
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3 – unobservable inputs for the asset or liability.

r) Prior Year Adjustments

Prior year adjustments arise as a result of a change in accounting policy, where a material error was made or it is agreed between auditors and the Fife Pension Fund to change accounting estimation techniques. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts.

4 Critical Judgements in Applying Accounting Policies

Acturial present value of promised retirement benefits

Each Fund is required to disclose the estimated acturial present value of promised retirement benefits at the end of the financial year. These estimates are prepared by the Fund Actuary. These values are calculated in line with International Accounting Standard 19 (IAS19) assumptions and comply with the requirements of IAS26. However the results are subject to significant variances based on changes to the underlying assumptions.

The figures are only prepared for the purposes of IAS26 and have no validity in other circumstances. In particular, it's not relevant for calculations undertaken for funding purposes and setting contributions payable to the Fund.

5 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 engages an Actuary to provide expert advice on these assumptions.	The impact on net liabilities of changes to the principal assumptions is shown in Note 16
Financial Assets and Liabilities measured at fair value	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets, their fair value is measured using recognised valuation techniques but as these investments are not publically listed there is a degree of estimation involved in the valuation.	There is significant level of assumption in the valuation for Level 3 assets. This is explained in Note 13
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.

6 Contributions Receivable

By Category

2024-25 £m		2025-26 £m
(26.158)	**Employees' Contributions**	**(27.456)**
	Employers' Contributions	
(94.129)	Normal contributions	(98.049)
(0.632)	Augmentation contributions	(0.757)
(94.761)	**Total employers' contributions**	**(98.806)**
(120.919)		**(126.261)**

By authority

2024-25 £m		2025-26 £m
(104.489)	Fife Council	(109.790)
(9.544)	Scheduled bodies	(8.989)
(6.885)	Admitted bodies	(7.483)
(120.919)		**(126.261)**

7 Benefits Payable

By Category

2024-25 £m		2025-26 £m
94.772	Pensions	100.414
25.542	Lump sum retirement benefits	29.940
4.077	Lump sum death benefits	4.904
124.391		**135.258**

By authority

2024-25 £m		2025-26 £m
111.517	Fife Council	119.147
5.338	Scheduled bodies	7.651
7.536	Admitted bodies	8.460
124.391		**135.258**

8 Payments to and on Account of Leavers

2024-25		2025-26
£m		£m
0.333	Refunds to members leaving service	0.389
0.001	State Scheme Premiums	0.000
	Transfers to other Schemes	
5.625	Individuals	4.017
12.772	Scottish Fire Rescue Service	0.000
18.732		**4.406**

9 Management Expenses

2024-25		2025-26
£m		£m
2.014	Administrative costs	2.330
11.750	Investment management expenses	16.303
0.511	Oversight and governance costs	0.632
14.274		**19.265**

Included in the oversight and governance costs is the external audit fee of £0.052m (£0.049m 2024-25)

9a Investment Management Expenses

2025-26	Management Fees	Performance Related Fees	Transaction Costs	Total
	£m	£m	£m	£m
Pooled Investments	0.653	0.027	0.147	0.827
Equities	2.540	0.000	0.265	2.805
Bonds	0.756	0.184	0.448	1.387
Pooled Property Investments	5.444	0.145	0.402	5.992
Private Equity/Infrastructure	4.409	0.447	0.126	4.983
Cash	0.000	0.000	0.059	0.059
	13.801	**0.804**	**1.446**	**16.051**
Custody Fees				0.252
				16.303

2024-25	Management Fees	Performance Related Fees	Transaction Costs	Total
	£m	£m	£m	£m
Pooled Investments	0.813	0.000	0.070	0.883
Equities	1.413	0.000	0.369	1.783
Bonds	0.704	0.000	0.180	0.883
Pooled Property Investments	1.042	0.000	0.976	2.018
Private Equity/Infrastructure	4.465	0.691	0.339	5.496
Cash	0.447	0.000	0.041	0.488
	8.884	**0.691**	**1.975**	**11.550**
Custody Fees				0.199
				11.750

Disclosed transaction costs are directly attributable to the acquisition, issue or disposal of financial assets or liabilities. They include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, transfer taxes and duties.

Fife Pension Fund complies with CIPFA guidance in terms of accounting for and disclosing transaction costs. Continued participation in the Cost Transparency Initiative and completion of templates has enhanced disclosure of costs.

10 Investment Income

2024-25		2025-26
£m		£m
(7.726)	Fixed interest securities	(7.742)
(16.838)	Equity dividends	(26.207)
(7.433)	Pooled property investments	(8.821)
(0.005)	Pooled investments-unit trusts and other managed funds	(0.985)
(25.064)	Private equity	(39.207)
(5.386)	Interest on cash deposits	(6.691)
(0.119)	Securities Lending	(0.184)
(62.570)		**(89.839)**

11a Reconciliation of Movements in Investments and Derivatives

Purchases and sales of derivatives are recognised as follows:

Futures - on close out or expiry of the futures contract the variation margin balances held in respect of unrealised gains or losses are recognised as cash receipts or payments, depending on whether there is a gain or loss.

Options - premiums paid and received are reported as payments or receipts together with any close out costs or proceeds arsing from early termination.

Forward currency contracts - forward foreign currency exchange contracts settled during the period are reported on a net contract basis as either a purchase or a sale.

2025-26	Value at 31 March 2025	Purchases (at cost) and Derivative Payments	Sales Proceeds and Derivative Receipts	Change in Value	Value at 31 March 2026
	£m	£m	£m	£m	£m
Fixed interest securities	532.607	212.287	(133.142)	10.322	622.075
Equities	929.501	104.615	(111.021)	80.773	1,003.868
Pooled Investments	1,254.385	94.991	(164.926)	205.419	1,389.868
Pooled Property Investments	216.955	28.346	(15.304)	3.123	233.120
Private Equity/Infrastructure	678.135	13.111	(54.474)	(9.011)	627.760
	3,611.582	**453.350**	**(478.868)**	**290.626**	**3,876.691**
Derivative contracts:					
Futures	(0.017)	1.125	(1.138)	0.030	0.000
Forward currency contracts	0.081	0.141	(0.217)	(0.005)	(0.000)
	3,611.646	**454.616**	**(480.222)**	**290.651**	**3,876.691**
Other investment balances	0.017			(0.014)	0.000
Cash deposits	171.304			(0.115)	267.304
Amount receivable for sales of investments	0.806			(0.002)	0.000
Investment income due	7.595			0.000	8.280
Amount receivable for pending spot FX	0.000			0.094	0.000
Amount payable for purchases of investments	(1.110)			0.001	0.000
Total Investment Assets	**3,790.258**			**290.614**	**4,152.275**

Trading gains and market value movements accounted for £303.884m per the Fund Account. This is different to the £290.614m reported above. The reason for this difference is £13.270m of indirect mangement expenses which have been included within note 9 to the accounts

11a Reconciliation of Movements in Investments and Derivatives (continued)

2024-25	Value at 31 March 2024	Purchases (at cost) and Derivative Payments	Sales Proceeds and Derivative Receipts	Change in Value	Value at 31 March 2025
	£m	£m	£m	£m	£m
Fixed interest securities	596.805	80.190	(70.363)	(74.025)	532.607
Equities	661.350	304.067	(241.039)	205.124	929.501
Pooled Investments	1,482.287	0.236	(159.415)	(68.723)	1,254.385
Pooled Property Investments	195.443	17.314	(3.027)	7.224	216.955
Private Equity/Infrastructure	613.044	108.579	(61.608)	18.120	678.135
	3,548.929	**510.386**	**(535.453)**	**87.720**	**3,611.582**
Derivative contracts:					
Futures	0.065	3.225	(3.109)	(0.197)	(0.017)
Forward currency contracts	(0.002)	0.693	(0.394)	(0.217)	0.081
	3,548.992	**514.304**	**(538.956)**	**87.306**	**3,611.646**
Other investment balances	(0.064)			0.095	0.017
Cash deposits	115.555			(0.551)	171.304
Amount receivable for sales of investments	0.326			0.002	0.806
Investment income due	6.245			0.000	7.595
Amount receivable for pending spot FX	0.000			0.228	0.000
Amount payable for purchases of investments	(6.906)			(0.001)	(1.110)
Total Investment Assets	**3,664.147**			**87.078**	**3,790.258**

Trading gains and market value movements accounted for £94.789m per the Fund Account. This is different to the £87.078m reported above. The reason for this difference is £7.711m of indirect mangement expenses which have been included within note 9 to the accounts

11b Analysis of Investments

2024-25		2025-26
£m		£m
	Investment assets	
532.607	Bonds	622.075
929.501	Equities	1,003.868
	Pooled Investments	
347.281	Fixed income unit trust	282.543
897.368	Equity unit trust	1,097.589
226.690	Pooled property investments	242.856
678.135	Private equity/Infrastructure	627.760
	Derivative contracts:	
0.026	Futures	0.000
0.083	Forward currency contracts	0.000
171.304	Cash deposits	267.304
7.595	Investment Income due	8.280
0.806	Amounts receivable for sales	0.000
0.017	Other Investment assets	0.000
3,791.413	**Total Investment assets**	**4,152.275**
	Investment liabilities	
	Derivative contracts:	
(0.043)	Futures	0.000
(0.002)	Forward currency contracts	0.000
(1.110)	Amounts payable for purchases	0.000
0.000	Other Investment liabilities	0.000
(1.155)	**Total Investment liabilities**	**0.000**
3,790.258	**Net Investment assets**	**4,152.275**

11c Investments Analysed by Fund Manager

Market Value 31 March 2025			Market Value 31 March 2026	
£m	%		£m	%
		Fund Mangers		
295.606	7.80	Baillie Gifford	302.013	7.27
213.161	5.62	Henderson Global Investors	220.535	5.31
89.389	2.36	Western Asset Management	0.010	0.00
293.039	7.73	Blackrock Investment Management (UK) Ltd	356.450	8.58
604.465	15.95	State Street Global Advisors	741.141	17.85
43.951	1.16	Partners Group	24.437	0.59
631.339	16.66	Other Infrastructure Managers	591.291	14.24
230.819	6.09	CBRE Global Investors	242.845	5.85
258.163	6.81	LPFI GLOVE	275.269	6.63
325.874	8.60	LPFI Gilts Fund	498.975	12.02
147.925	3.90	LPFI Global High Dividend	175.317	4.22
235.444	6.21	LPFI SMURV	260.384	6.27
93.335	2.46	LGIM 6A Corporate Bond Fund	97.085	2.34
164.564	4.34	LGIM Over 5 Year US Index-Link	0.002	0.00
0.000	0.00	Royal London RLPPC Sterling Co	92.218	2.22
67.757	1.79	Private Debt	47.931	1.15
3,694.832	97.48		3,925.905	94.55
		Money Market Funds		
95.426	2.52	Northern Trust Money Market Fund	226.371	5.45
3,790.258	**100.000**		**4,152.275**	**100.00**

The following investments represent more than 5% of the net assets of the scheme.

Market Value 31 March 2025			Market Value 31 March 2026	
£m	%		£m	%
292.904	7.73	Aquila Life UK Equity Index Fund, managed by Blackrock Investment Management (UK) Ltd	356.450	8.58
604.463	15.95	MPF Fundamental Index Global Equity Fund, managed by State Street Global Advisors	741.139	17.85

11d Stock Lending

The fund's investment strategy sets the parameters for the fund's stock-lending programme. At the year end, the value on loan was £76.207m (31 March 2025 £36.723m). This stock lending programme continues to be recognised in the fund's financial statements. Counterparty risk is managed through holding collateral at the fund's custodian bank. At the year end, the fund held collateral (via the custodian) at a market value of £81.406m (31 March 2025 £40.067m) representing 106.8% of stock lent. Collateral consists of acceptable securities and government debt.

2024-25		2025-26
£m		£m
16.572	Bonds	32.083
20.151	Equities	44.124
36.723		**76.207**

12 Analysis of Derivatives

Objectives and policies for holding derivatives

A derivative is a financial instrument that derives its value from another, underlying financial instrument or asset, which could be an equity, bond, an index, another derivative or a real asset.

Fund managers may use derivatives to gain exposure to an asset more efficiently than holding the underlying asset. They are used to manage risk; either to assume risk, to hedge risk or to reduce risk. The use of derivatives is managed in line with the investment management agreements in place between the fund and the various investment mangers.

Western Asset Management used futures as part of their fixed interest trading strategy to lower costs and improve efficiency, particularly during periods of higher uncertainty, such as around elections and referenda.

Futures

Outstanding exchange traded futures contracts are as follows:

2025-26	Expires	Economic Exposure	Assets	Liabilities
			£m	£m
Fixed Income Futures *				
Overseas fixed interest	one year	0.000	0.000	0.000
UK fixed interest	one year	0.000	0.000	0.000
Overseas fixed interest	one year	0.000	0.000	0.000
		0.000	**0.000**	**0.000**

2024-25	Expires	Economic Exposure	Assets	Liabilities
			£m	£m
Fixed Income Futures				
Overseas fixed interest	one year	(0.177)	0.026	0.000
UK fixed interest	one year	1.925	0.000	(0.012)
Overseas fixed interest	one year	(2.127)	0.000	(0.031)
		(0.378)	**0.026**	**(0.043)**

The economic exposure represents the notional value of bonds purchased under the futures contract on an absolute basis, and is therefore subject to market movements

Open forward currency contracts

Settlements	Currency Bought	Local Value	Currency Sold	Local Value	Assets	Liabilities
		£m		£m	£m	£m
One to six months	EUR	0.000	GBP	0.000	0.000	
One to six months	GBP	0.000	USD	0.000	0.000	
One to six months	GBP	0.000	EUR	0.000		0.000
One to six months	GBP	0.000	AUD	0.000	0.000	
Open forward currency contracts at 31 March 2026					**0.000**	**0.000**
Net forward currency contracts at 31 March 2026 *						**0.000**
Prior Year Comparative						
Open forward currency contracts at 31 March 2025					**0.083**	**(0.002)**
Net forward currency contracts at 31 March 2025						**0.081**

* Note for 2025-26 values are zero due the disinvestment from Western Asset Management.

13 Fair Value - Basis of Valuation

The basis of the valuation of each class of Investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuation provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Cash and Cash Equivalents	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Futures and options in UK bonds	Level 1	Published exchange prices at the year-end	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Unquoted bonds	Level 2	Average of broker prices	Evaluated price feeds	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Overseas bond options	Level 2	Option pricing model	Annualised volatility of counterparty credit risk	Not required
Pooled investments-overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Pooled investments - hedge funds	Level 3	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuation could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts
Freehold and leasehold properties	Level 3	Valued at fair-value at the year-end using the investment method of valuation	Existing lease terms and rentals; Independent market research; nature of tenancies; covenant strength for existing tenants; assumed vacancy levels; estimated rental growth; discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices

13a Fair Value Hierarchy

The valuation of investment assets and liabilities has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Investment assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Investment assets and liabilities at Level 2 are those where quoted market prices are not available, for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Investment assets and liabilities at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments include unquoted investments, investments in property funds and inflation index linked notes, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Fife Council Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuation dates of these investments may not have taken place at the Council's balance sheet date, however, widely recognised valuation methods are used to establish the 31 March valuations as appropriate.

13a Fair Value Hierarchy (continued)

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable. There were no transfers between level 3 and level 1 in the year.

Values at 31 March 2026	Quoted Market Price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£m	£m	£m	£m
Investment assets at fair value	2,384.740	933.609	833.926	4,152.275
	2,384.740	**933.609**	**833.926**	**4,152.275**

Values at 31 March 2025	Quoted Market Price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£m	£m	£m	£m
Investment assets at fair value	2,020.108	911.952	858.198	3,790.258
	2,020.108	**911.952**	**858.198**	**3,790.258**

13b Reconciliation of Fair Value Measurements within Level 3

	Market value 31 March 2025	Transfers into Level 3	Transfers out of Level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/ (losses)	Realised gains/ (losses)	Market value 31 March 2026
	£m	£m	£m	£m	£m	£m	£m	£m
Overseas Property Funds	0.007	0.000	0.000	0.000	0.000	0.000	0.000	0.008
Overseas Venture Capital	238.007	0.000	0.000	10.624	(44.390)	(17.779)	12.598	199.061
Overseas Equities	3.267	3.626	0.000	0.131	0.000	3.897	0.000	10.920
UK Property Funds	176.789	0.000	0.000	23.344	(9.181)	5.092	(0.805)	195.239
UK Venture Capital	440.128	0.000	0.000	2.487	(10.085)	(3.861)	0.031	428.699
	858.198	**3.626**	**0.000**	**36.585**	**(63.655)**	**(12.651)**	**11.823**	**833.926**

14 Classification of Financial Instruments

31 March 2025				31 March 2026		
Fair value through profit and loss	Assets carried at Amortised Cost	Financial liabilities at amortised cost		Fair value through profit and loss	Assets carried at Amortised Cost	Financial liabilities at amortised cost
£m	£m	£m		£m	£m	£m
			Financial assets			
532.607			Fixed Interest Securities	622.075		
929.501			Equities	1,003.868		
1,244.649			Pooled Investments	1,380.132		
226.690			Pooled Property Investments	242.856		
678.135			Private Equity-Infraastructure	627.760		
0.109			Derivative contracts	0.000		
	171.304		Cash		267.304	
0.017	7.595		Other Investment balances	0.000	8.280	
	0.806		Debtors		0.000	
3,611.708	**179.705**	**0.000**		**3,876.691**	**275.585**	**0.000**
			Financial Liabilities			
		(0.045)	Derivative contracts			0.000
		0.000	Other Investment balances			0.000
		(1.110)	Creditors			0.000
0.000	**0.000**	**(1.155)**		**0.000**	**0.000**	**0.000**
3,611.708	**179.705**	**(1.155)**	**Total**	**3,876.691**	**275.585**	**0.000**
3,790.258			**Grand Total**	**4,152.275**		

15 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 the fund has adequate cash resources to meet ongoing pensioner payroll costs and investment commitments. A substantial portion of the Fund's investments consist of readily realisable securities in particular equities and fixed income investments, even though a significant proportion is held in pooled funds. However, the main liability of the Fund are benefits payable, which fall due over a long period and the investment strategy reflects the long term nature of these liabilities. Therefore the Fund is able to manage the liquidity risk that arises from its investments in less liquid asset classes such as property which are subject to longer redemption periods and cannot be considered as liquid as the other investments. The Fund maintains a cash balance to meet working requirements and has immediate access to its cash holdings.

All financial Liabilities are due within one year.

15 Nature and Extent of Risks Arising from Financial Instruments (continued)

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 Pensions committee, is detailed in the Statement of Investment Principles at Appendix A of this Report.

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

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 10%.

A 10% 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 2026 and 31 March 2025 and the impact of a 10% increase/decrease in the value of the pound on the fund's asset classes.

15 Nature and Extent of Risks Arising from Financial Instruments (continued)

Market Risk - currency risk 31 March 2026	Asset Value	Asset Value on increase of 10%	Asset Value on decrease of 10%
	£m	£m	£m
Currency Exposure-asset type			
Overseas Equities	926.155	1,018.771	833.540
Overseas public sector bonds (quoted)	0.000	0.000	0.000
Overseas corporate bonds (quoted)	0.000	0.000	0.000
	926.155	**1,018.771**	**833.540**

Market Risk - currency risk 31 March 2025	Asset Value	Asset Value on increase of 10%	Asset Value on decrease of 10%
	£m	£m	£m
Currency Exposure-asset type			
Overseas Equities	867.443	954.187	780.699
Overseas public sector bonds (quoted)	0.478	0.526	0.430
Overseas corporate bonds (quoted)	43.206	47.526	38.885
	911.127	**1,002.239**	**820.014**

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 1.0% 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 1.0% from one year to the next.

The fund's exposure to interest rate movements 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.

15 Nature and Extent of Risks Arising from Financial Instruments (continued)

Market Risk - interest rate risk 31 March 2026	Duration (years)	Asset Values assumed	Asset Value on increase of 1%	Asset Value on decrease of 1%
		£m	£m	£m
Asset Type				
Fixed Interest Securities				
UK public sector (quoted)	0.21	62.199	62.058	62.340
UK corporate (quoted)	0.05	0.000	0.000	0.000
Overseas public sector (quoted)	4.98	0.000	0.000	0.000
Overseas corporate (quoted)	0.05	0.000	0.000	0.000
UK public sector index linked	0.50	559.876	557.318	562.433
Cash & cash equivalents				
Cash		267.304	269.977	264.631
Total		**889.379**	**889.353**	**889.404**

Market Risk - interest rate risk 31 March 2025	Duration (years)	Asset Values assumed	Asset Value on increase of 1%	Asset Value on decrease of 1%
		£m	£m	£m
Asset Type				
Fixed Interest Securities				
UK public sector (quoted)	0.21	65.644	65.507	65.782
UK corporate (quoted)	0.05	39.610	39.591	39.630
Overseas public sector (quoted)	4.98	0.478	0.454	0.502
Overseas corporate (quoted)	0.05	43.206	43.185	43.226
UK public sector index linked	0.50	383.669	381.734	385.603
Cash & cash equivalents				
Cash		171.304	173.017	169.591
Total		**703.911**	**703.488**	**704.334**

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.

15 Nature and Extent of Risks Arising from Financial Instruments (continued)

Market Risk - other price risk 31 March 2026	1 year expected volatility (%)	% of Fund	Asset Values assumed	Value on increase	Value on decrease
			£m	£m	£m
Asset Class					
UK Equities	18.00	8.61	356.60	420.788	292.412
Global Equities	18.60	42.15	1,745.70	2,070.400	1,421.000
Infrastructure	14.60	0.85	35.40	40.568	30.232
Property	15.90	5.89	243.80	282.564	205.036
Corporate Bonds (short term)	3.10	1.41	58.40	60.210	56.590
Corporate Bonds (medium term)	6.30	3.99	165.10	175.501	154.699
Corporate Bonds (long term)	6.30	1.25	51.70	54.957	48.443
fixed gilts (short term)	2.00	0.01	0.60	0.612	0.588
fixed gilts (medium term)	5.40	0.94	38.80	40.895	36.705
fixed gilts (long term)	6.50	2.47	102.30	108.950	95.651
UK index linked gilts (medium term)	6.70	0.75	30.90	32.970	28.830
UK index linked gilts (long term)	7.70	11.05	457.60	492.835	422.365
Cash	0.30	19.47	806.50	808.920	804.081
Absolute Return/Diversified Growth	0.00	0.00	0.00	0.000	0.000
Commodities	0.00	0.00	0.00	0.000	0.000
Private Debt	7.40	1.16	47.90	51.445	44.355
		100.00	**4,141.300**	**4,641.615**	**3,640.987**

Market Risk - other price risk 31 March 2025	1 year expected volatility (%)	% of Fund	Asset Values assumed	Value on increase	Value on decrease
			£m	£m	£m
Asset Class					
UK Equities	16.30	7.74	293.100	340.875	245.325
Global Equities	18.60	40.71	1,542.100	1,828.931	1,255.269
Infrastructure	14.50	1.16	43.900	50.266	37.535
Property	15.20	6.11	231.500	266.688	196.312
Corporate Bonds (short term)	3.20	1.13	42.800	44.170	41.430
Corporate Bonds (medium term)	6.50	7.49	283.800	302.247	265.353
Corporate Bonds (long term)	7.40	2.68	101.400	108.904	93.896
fixed gilts (short term)	2.00	0.10	3.800	3.876	3.724
fixed gilts (medium term)	5.50	0.87	33.100	34.921	31.280
fixed gilts (long term)	6.60	2.07	78.300	83.468	73.132
UK index linked gilts (short term)	0.00	0.00	0.000	0.000	0.000
UK index linked gilts (medium term)	6.70	0.76	28.800	30.730	26.870
UK index linked gilts (long term)	7.80	8.15	308.900	332.994	284.806
Cash	0.30	19.24	728.900	731.087	726.713
Private Debt	7.60	1.79	67.800	72.953	62.647
		100.00	**3,788.200**	**4,232.110**	**3,344.292**

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.

When estimating the volatility the Fund Asset Value at 31 March 2026 was assumed to be £4.141bn. The 1 year weighted average volatility was 9.0% at 31 March 2026, meaning the 'value on increase' would be £4.642bn and the 'value on decrease' would be £3.641bn.

16 Actuarial Valuation

Employee contributions are fixed by statute and employers' basic contributions are assessed every three years by the actuary. The last valuation of the fund was carried out as at 31 March 2023 by Hymans Robertson and the actuarial statement , including assumptions made in the calculations, is contained in this Annual Report on page 25.

Adjustments have been made to the primary 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. The table below summarises the whole fund total contribution rates for the period 1 April 2024 to 31 March 2027:

Financial Year	Employers' Contribution rate
2024-25	21.30%
2025-26	21.30%
2026-27	21.30%

The actuary also undertakes a valuation to present the 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 2023, with no allowance for future unfunded benefits.

	31 March 2025	31 March 2026
	£m	£m
Present Value of Promised Retirement Benefits	2,648.000	2,734.000

The valuation of the fund has been undertaken using the projected unit method under which salary increases for each member are assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were as follows:

IAS 26 Assumptions used

	31 March 2025	31 March 2026
	%	%
Inflation / pension increase rate	2.80	3.00
Salary Increase rate	3.30	3.50
Discount rate	5.80	6.20

Demographic assumptions

	Males	Females
Future life expectancies assumed in the calculation		
Current Pensioners	20.4	23.1
Future Pensioners	21.0	24.7

Sensitivity Analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are:

Change in assumptions at 31 March 2025	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£m)
0.1% decrease in the Discount Rate	2%	46
1 year increase in member life expectancy	4%	109
0.1% increase in the Salary Increase Rate	0%	3
0.1% increase in the Pension Increase Rate (CPI)	2%	43

17 Analysis of Debtors

2024-25		2025-26
£m		£m
0.168	Central Government	0.206
0.231	Other Debtors	0.361
0.399		**0.568**

18 Additional Voluntary Contributions (AVC)

2024-25 Contributions	Fund Value 31 March 2025		2025-26 Contributions	Fund Value 31 March 2026
£m	£m		£m	£m
0.228	1.258	Standard Life	0.207	1.357
2.516	7.777	Prudential	3.636	10.547
0.000	0.051	Clerical Medical	0.000	0.043
2.744	**9.086**		**3.843**	**11.948**

19 Related Party Transactions

Fife Council, the administering authority of the fund, also provides support services for the fund and in 2025-26 charged £2.033m (2024-25 £1.778m) for those services.

Fife Council paid employers' contributions to the Pension Fund of £86.216m (2024-25 £82.110m) and collected and paid over employees's contributions of £23.726m (2024-25 £22.379m)

Governance

All members of both the Pensions Committee and the Pensions Board are members of the Fife Pension Fund.

19a Key Management Personnel

The key management personnel of the fund are the Chief Executive and the Executive Director Finance and Corporate Services. Total remuneration payable met by Fife Council to key management personnel is set out below:

2024-25		2025-26
£m		£m
0.346	Salary, fees & Allowances	0.349
0.346		**0.349**

The pension entitlements for the key management personnel are set out below together with the contribution made by the council during the year

2024-25		2025-26
£m		£m
0.073	In year employer's pension contributions	0.075
	Accrued Pension Benefits	
0.171	Pension	0.163
0.227	Lump Sum	0.213

20 Events after the Reporting Date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Report and Accounts are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period - the Annual Report and Accounts is adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period - the Annual Report and Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effects.

There have been no events since March 2026 which require disclosure.

21 Contingent Assets and Liabilities

At 31 March 2026 there were no contingent assets or liabilities.

22 Impairment Losses

No investment assets were subject to impairment during the year.

23 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:-

- Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (Amendments to Heritage assets) issued in March 2024
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) issued in May 2024
- Annual improvements to IFRS accounting standards – Volume 11 issued in July 2024
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 & IFRS 7) issued December 2024.

There is no significant impact on the pension fund accounts arising from standards not yet adopted.

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 are listed in Schedule 1 of the Local Government Regulations and have a statutory right to join the fund. They must provide access to the LGPS in respect of their employees who are not eligible to join another public service scheme. Admission bodies are those bodies which participate in the scheme via an admission agreement. Those include bodies which carry out a public service otherwise than for purposes of gain and have a community of interest with a scheme employer or those providing a service on behalf of a scheme employer.

The list of participating employers at 31 March 2026 is as follows: -

Scheduled Bodies

Fife Council
Fife College
Scottish Police Authority (for former support staff of Fife Constabulary and new support staff based in the Fife area and includes support staff employed at the Police College)

Admitted Bodies

Citizens Advice & Rights Fife
Home-Start Levenmouth
Business Gateway Fife
Drug & Alcohol Project
Fife Intensive Rehabilitation & Substance Misuse Team (FIRST)
The Clued-Up Project
Forth & Oban
Fife Sport & Leisure Trust
Fife Coast & Countryside Trust
Fife Golf Trust
Fife Cultural Trust
Scotland's Rural College (SRUC)
Fife Resource Solutions
Sodexo

APPENDIX 1

FIFE PENSION FUND
STATEMENT OF INVESTMENT PRINCIPLES

1. Introduction

1.1 This Statement of Investment Principles (**SIP**) was agreed by the Pensions Committee (**Committee**) of Fife Council (**FC**) on 20 June 2025. FC is the administering authority for the Fife Pension Fund (**the Fund**).

1.2 The Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010 require administering authorities to prepare, maintain and publish a SIP. The SIP must be reviewed from time to time and revised within six months of any material changes in the Policy.

1.3 In preparing this statement, the Committee has taken advice from officers who attend the Joint Investment Forum (JIF), which includes external advisers and members of the Lothian Pension Fund internal investment team who are FCA authorised individuals.

1.4 The SIP describes the objectives, policies and principles adopted by the Committee of FC in undertaking the investment of fund monies. The SIP also discloses the extent to which the Fund complies with the six "Myners Principles" of investment practice.

1.5 The SIP has been devised in conjunction with the Lothian and Falkirk Pension Funds as part of the three Funds' commitment to work collaboratively in order to achieve the efficiencies that come from scale investing.

1.6 The SIP should be read in conjunction with the Statement of Responsible Investment Principles (SRIP). The SRIP explains the Committee's approach to oversight and monitoring of investment activities from a Responsible Investment (RI) and Stewardship perspective. This covers the Committee's policy on the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments; and the exercise of the rights (including voting rights) attaching to investments.

2. Governance

2.1 FC has delegated responsibility for the supervision of the Funds to the Committee, which comprises nine elected members from FC. The Committee is supported by a statutory Pensions Board consisting of four Trade Union and four employer representatives, which is responsible for ensuring that the Fund operates in accordance with the applicable laws and regulations. The Committee and Board are supported by an independent professional observer.

2.2 The Committee determines investment strategy based on proper advice from FC's Executive Director of Finance & Corporate Services. The Executive Director of Finance and Corporate Services delegates this role to the Head of Finance taking advice from the JIF and other advisers as required.

2.3 Responsibility for implementing the strategy is also delegated to the Executive Director of Finance and Corporate Services who delegates this role to the Head of Finance, taking advice from the JIF and external investment advisers. Day to day management of the Fund's assets is currently undertaken by external investment managers whose activities are governed by Investment Management Agreements and the limits set out in Scheme regulations. Some of the Fund's assets are managed via an Investment Management Agreement with LPFI Ltd – the FCA authorised investment vehicle of Lothian Pension Fund.

2.4 The SIP forms part of a governance framework that includes Statutory Regulations, the Pensions Committee, the Pension Board, the Joint Investment Forum, the Funds' Advisers and the Funds' Funding Strategy Statement and Governance Compliance Statement.

3. High Level Investment Principles

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

Governance

3.1 **Principle 1: Committee believes that their decisions, and those of officers, must give precedence to the fiduciary duty owed to members and employers.** Fiduciary duty is paramount. The Pensions Committee recognises the potential conflicts of interests inherent in a local authority administering a multi-employer pension fund. The objectives of the administering authority, its officials and officers and those of the pension fund are not necessarily the same. The primary objective is to ensure sufficient funding in the long term so that retirement benefits that /employers promise to members under scheme rules can be paid when they fall due. (The legal view on fiduciary duty issued by the Scottish Local Government Pension Scheme Advisory Board is available at https://lgpsab.scot/fiduciary-duty-guidance/.)

3.2 **Principle 2: Committee believes that the Fund should mitigate risk by ensuring alignment of interests wherever possible.** Agency costs are high in the financial services industry – agents are often motivated to act in their own best interests rather than those of the principal (the Fund). Alignment of interests and partnering with similarly aligned organisations will help to reduce risk and address the principal-agency problem to the benefit of the Fund and partners. External resources should, therefore, be used where internal resources cannot be justified or obtained, or where an external perspective provides additional skills or insight into investment matters, and where suitable alignment can be established.

3.3 **Principle 3: Committee believes that it should work with like-minded partners to benefit from increased scale and greater resilience.** There are significant economies of scale in the business of managing investments, so working with like-minded partners with similar long-term objectives and liabilities can achieve lower costs and reduce operational risks with increased resilience.

3.4 **Principle 4: Committee believes that cost transparency aids decision-making.** The asymmetric structure of incentives in financial markets (upside participation in success without downside participation in failure) encourages strategies that may benefit agents (external managers and other financial intermediaries) and be detrimental to investor (Fund) returns. Agents often present fees and other charges in a way that obscures rather than illuminates. Full cost transparency should aid decision-making and so benefit investment returns.

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

Funding

3.6 **Principle 6: Given future uncertainties, the funding strategy should be prudent and should reduce risk to employers of another employer defaulting on its pension obligations**. The Funding Strategy Statement expresses the funding objective, which informs the invested strategy options. The ultimate objective is to ensure long-term solvency so that retirement benefits employers promise to members under scheme rules can be paid when they fall due, so full funding should be achieved in a prudent manner to ensure that liquid assets are available at the required time. This is important for members, employers and taxpayers as the scheme is ultimately state backed.

3.7 **Principle 7: Committee believes that the Fund should consider requests for different investment strategies from employers with different objectives**. Employers have conflicting desires: on the one hand, they would like to minimise the fluctuations in contributions and on the other hand, they would like to minimise the overall amount of contributions. Employers may have different objectives, so they should

be given the opportunity to request a bespoke investment strategy. The Fund should consider such requests, taking account of issues such as employer covenant and implementation costs.

Investments

3.8 **Principle 8: Committee believes that the ability of the Fund to pay pension benefits when they fall due is more important than mark-to-market funding levels.** Committee recognises that there are various ways to measure the value of promised benefits in a defined benefit scheme. Committee believes that where employer circumstances allow, investment strategy should focus on delivering strong (real) returns that grow to cover cashflows over the longer term rather than focusing on protecting the funding level in the short term.

3.9 **Principle 9: Committee believes 'return-seeking' assets are likely to outperform 'risk-free' assets as the investment horizon lengthens, but this is not guaranteed.** Time horizons matter a great deal. The appropriate horizon for investment risk-taking depends on the duration of the liabilities, the profile of projected cash flows and the deficit recovery and contingency plans for the scheme (the sponsor covenant).

3.10 **Principle 10: Committee believes in owning a diversified portfolio of assets so that it is not overly exposed to any particular contingency.** Asset diversification can reduce risk where assets are not perfectly correlated. Committee recognises that the future is unpredictable and that real returns from investments are uncertain. Fund returns will be determined primarily by the high-level investment strategy allocation to different policy groups and the timing of material changes. Asset allocation balances diversified risks with the expected additional returns for these risks.

3.11 **Principle 11: Committee believes that responsible investment should reduce risk and may improve returns.** The Local Government Pension Scheme (LGPS) was designed with an important social purpose in mind – the provision of retirement income for individuals. The Fund's fiduciary duty means that the pursuit of financial return is its paramount concern, although it may also take purely non-financial considerations into account provided that doing so would not involve significant risk of financial detriment. Committee believes that the decisions to invest in, or divest from, a particular company should be made by an investment manager based on a holistic analysis of financially material issues, including environmental, climate change, social and governance issues. Committee agreed to a Statement of Responsible Investment Principles (SRIP) in September 2024.

3.12 **Principle 12: Committee believes it should exercise its ownership rights in a responsible way, constructively engaging with companies to reduce risk.** The Fund's interests are better protected from adverse impacts by collaborating with like-minded investors to have greater influence in engaging with companies, government and regulators. Engagement aims to encourage responsible behaviour by companies in relation to environmental, climate change, social and governance issues.

3.13 **Principle 13: Committee believes that monitoring and assessment of investment success should be viewed on a long-term basis.** No asset mix provides a stream of cash flows that perfectly matches the liability payments of the Fund as they fall due, so monitoring activity is complex. The Fund is long term in nature and the success of a given investment strategy is likely to ebb and flow with changing investment environments in an unpredictable way. Investment monitoring is challenging and should be viewed through a long-term lens.

3.14 **Principle 14: Committee believes that peer group comparative analysis needs to be treated with care.** No two pension funds are identical, so peer group analysis should be undertaken with care as different funds can hold different investment beliefs, objectives and return and risk appetites.

4. Funds' Objectives

4.1 The **primary objective** of the Fund is to ensure that there are sufficient funds available to meet all pension and lump sum liabilities as they fall due.

4.2 The **funding objectives** for the Fund are documented in the Committee's Funding Strategy Statement, which is reviewed at least triennially. The funding objectives, together with the rates of return being targeted and levels of risk to be tolerated, are central to the Fund's investment strategy and governs the allocation across various policy groups.

4.3 The **investment objectives** of the Fund are to achieve a return on Fund assets which is sufficient over the long term to meet the funding objectives as outlined in the Funding Strategy Statement. Investment returns are generated by a combination of income (from dividends, interest and rents) and gains or losses on capital.

4.4 In effect, the Fund's objectives are to generate sufficient long term returns to pay promised pensions and to make the scheme affordable to employers now and in the future, while minimising the risk of having to increase contribution rates in the future.

4.5 Committee has set investment strategy with reference to the following **policy groups,** which are regarded as the key determinants of risk and return. The policy groups condense the vast array of investment choices into a manageable number of investment groups with broadly similar characteristics:

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

4.6 As the returns of the above investments are not completely correlated, the Fund expects to achieve diversification and better risk-adjusted returns by investing in assets from each policy group.

4.7 In order to maximise the opportunities for collaborative investing, the policy groups set out in 4.5 match those used by the Lothian and Falkirk Pension Funds.

5. Fund Strategy

5.1 The Committee's agreed investment strategy (presented in Appendix A) is expressed in terms of allocations to various policy groups. These reference portfolios are expected to generate the required return with a reasonable probability of success. The rate of return being targeted and the level of risk to be tolerated are central to the determination of the investment strategy (or asset mix) for the Fund.

5.2 The Committee monitors performance of the Fund relative to benchmarks, including asset benchmarks. Asset benchmarks are not a perfect match for the objectives of the Fund, nor the strategies that it employs. Correct interpretation of the reported data requires a good understanding that where the Fund invests in lower risk Equities than the benchmark, returns are likely to lag a strongly rising market but be better than benchmark when it experiences significant weakness. Real Assets and other private market assets lack good comparators, especially over the short and medium-term timeframes, and the current benchmark often deviates quite significantly from the slow re-valuation of private market assets. Other policy groups are less difficult to interpret but represent a smaller portion of the total fund.

5.3 There may also be demand from individual employers for other investment strategies for their section of the Fund. The Fund will consider such requests, subject to practical implementation of such strategies and, if appropriate, a review of employer contribution rates. It is not practical for the Fund to offer individual employers full flexibility on asset allocation.

5.4 The Fund's investment strategy is measured against strategy-specific benchmarks by an independent performance measurement specialist, and these are reported to Committee at least annually with reference to asset market returns as well as liability valuations. The Executive Director of Finance and Corporate Services is responsible for monitoring investments and investment activity, and she delegates this function to the Head of Finance taking advice from the JIF, which meets at least quarterly.

6. Strategy Implementation

6.1 The Committee delegates implementation of strategy to the Executive Director of Finance and Corporate Services, who delegates the role to the Head of Finance, taking advice from the Joint Investment Forum (JIF). The Head of Finance operates within the parameters agreed by the Committee, investing the Funds' assets in the policy groups within the permitted ranges.

6.2 The Head of Finance, advised by the JIF, identifies the combination of investment managers and mandates within the policy groups to deliver the objectives of the Fund. The investment managers and mandates are listed in Appendix B. The Fund employs external managers, but also works collaboratively with the Lothian Fund in house investment team, which manages some assets through its FCA authorised vehicle, LPFI, in recognition of the cost and alignment advantages of doing so.

6.3 To reduce the risk that the investment objective is not met, controls are set around policy group allocations and each manager/mandate These are detailed in formal Investment Management Agreements; and similarly, formal investment objectives and constraints are set for internal mandates where appropriate. The investment managers are responsible for the selection of individual holdings.

6.4 The Funds' investment managers and mandates are measured against mandate-specific benchmarks of risk and return by an independent performance measurement specialist. Performance and mandate implementation is monitored by the JIF on a quarterly basis.

6.5 The Fund will look to collaborate with other investors to benefit from increased scale and cost sharing arrangements.

7. Other Investment Considerations

Realisation of investments

7.1 Most of the Funds' investments are in liquid markets and can be expected to be sold relatively quickly if required. A proportion of the Funds' investments (such as property, private equity, private debt and infrastructure) have less or limited liquidity and would therefore take longer to be sold. The overall liquidity of the Fund's assets is considered in the light of potential demands for cash.

Stock Lending

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

Underwriting

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

Derivatives

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

Voting and Engagement

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

Safekeeping of Assets

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

8. Compliance

Regulations and Investment Limits

8.1 The Fund is compliant with the statutory restrictions set out in the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010 and the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Amendment Regulations 2016.

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

CIPFA Principles for Investment Decision Making

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

Review of SIP

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

Appendix A – Investment Strategy (28 March 2024)

FIFE PENSION FUND: INVESTMENT STRATEGY

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

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

FIFE PENSION FUND: POLICY GROUP BENCHMARKS

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

Appendix B – Stewardship Statement

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

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

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

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

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

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

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

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

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

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

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

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

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

- We also encourage the asset managers employed by the Fund to have effective policies addressing potential conflicts of interest.

- In respect of conflicts of interest within the Fund, Pensions Committee members are required to make declarations of interest prior to Committee meetings.

- Our policy of constructive engagement with companies is consistent with the Funds' fiduciary responsibilities.

Principle 3: Institutional investors should monitor their investee companies.

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

- We expect them to monitor companies, intervene where necessary, and report back regularly on activity.

- Activity will be reported on the Funds' website, including the number of company meetings at which the Fund has voted and how the Fund has voted.

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

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

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

- We expect the approach to engagement on our behalf to be value-orientated and focused on long term sustainable profitability.

- EOS monitors the activity of many of our investee companies and escalate engagement activity directly with them as required.

- Consistent with our fiduciary duty to beneficiaries and to encourage improved conduct in future, we consider participating in shareholder litigation where it appears likely that the Fund will recover losses (net of costs) sustained because of inappropriate actions by company directors.

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

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

- the appointment of EOS, whose engagement service pools asset ownership with the aim of protecting and enhancing shareholder value. EOS represents us and other like-minded asset owners globally using its expertise to enhance our effectiveness in communicating with companies, industry bodies, regulators and legislators.
- Our preference is for managers to vote on the Funds' behalf and for responsible stewardship to be integral to the investment decision-making process. We are comfortable with delegation of voting to External Fund Managers for the funds they manage.
- For all other mandates, EOS votes consistently across the portfolios it covers, and makes voting decisions based on a thorough analysis of publicly available information and always taking account of a company's individual circumstances. EOS informs companies where it has concerns and seeks a resolution prior to taking the decision to vote against management. In this way, it uses our votes as a lever for positive change at companies. Underpinning voting decisions are EOS Corporate Governance policies, which can be found in the following link:

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

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

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

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

- The Fund retains the right to direct EOS or a manager in a particular way in respect of any corporate governance issue.

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

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

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

Appendix C – CIPFA Principles for investment decision making and disclosure

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

Principle 1 – Effective decision making

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

- The Fund's Training Policy (Comprising a compulsory training seminar for all new members and a requirement to undertake no less than two days (14 hours) of training in each year for all Pensions Committee and Pension Board members) provides the knowledge to enable them to evaluate and challenge the advice they receive. Standards relating to the administration of the Committee's business are strictly up-held. Training Policy | Fife Pension Fund

- The Fund has appointed an Independent Professional Observer to strengthen governance. The role of the Observer is to provide the Committee and Pensions Board with an impartial, additional source of experience and technical knowledge.

- The Pensions Committee focuses on setting the strategy for the Fund and monitoring performance. The Pension Board also attends Committee meetings and is responsible for assisting the Committee in securing compliance with relevant regulations and other legislation.

- The Committee delegates the day-to-day running of the Fund to the Executive Director of Finance and Corporate Services, who in turn delegates to the Head of Finance and Funds' officers. The Executive Director of Finance and Corporate Services is responsible for the provision of training for Committee to help them to make effective decisions to ensure that they are fully aware of their statutory and fiduciary responsibilities, and to regularly remind them of their stewardship role.

- The Joint Investment Forum advises the Head of Finance on the implementation of the agreed strategies, reviewing structure, funding monitoring, performance and risk and asset allocation. The Joint Investment Forum meets at least quarterly and is made up of experienced investment professionals, including independent advisers.

- The in-house team undertakes day-to-day monitoring of the Fund. The team includes personnel with suitable professional qualifications and experience to provide the necessary skills, knowledge, advice and resources to support the Joint Investment Strategy Panel and the Pensions Committee.

- Conflicts of interest are managed actively. At each Committee meeting, elected members of the Pensions Committee and Pensions Board are asked to highlight conflicts of interest. A Code of Conduct applies to members of the Committee and the Pension Board. The Fund ensures conflicts of interest are highlighted and managed appropriately.

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

Principle 2 – Clear Objectives

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

- The Statement of Investment Principles and the Funding Strategy Statement define the Fund's primary funding objectives.

- Asset-liability modelling is undertaken with the help of external advisers to aid the understanding of risks and the setting of investment strategy.

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

Principle 3 – Risk and liabilities

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

- The Fund takes advice from the scheme's actuary regarding the nature of its liabilities. Asset-liability modelling is undertaken periodically to aid the setting of investment strategy, and these exercises specifically take account of covenant strength and longevity risk.
- The Fund will consider requests for such alternative strategies, subject to practical implementation of such strategies and, if appropriate, a review of employer contribution rates. It is not practical for the Fund to offer individual employers full flexibility on asset allocation.
- The Funding objectives for the Fund is expressed in relation to the solvency and employer contribution rates. The Fund regularly assess the covenants of participating employers.
- The Executive Director of Finance and Corporate Services is responsible for ensuring the appropriate controls of the Fund. Controls are subject to internal audit, and results of audits are submitted to the Pensions Committee.
- The Fund maintain a risk register, which is reviewed on a regular basis.

Principle 4 – Performance assessment

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

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

Principle 5 – Responsible ownership

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

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

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

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

Principle 6 – Transparency and reporting

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

- Meetings of the Pensions Committee are open to the public. Members of the public are entitled to make a deputation at Committee meetings. Committee papers are available on the Fife Council website. The Pension Board joins the Committee at all meetings.
- The Committee's remit covers wider pension scheme issues, other than the management and investment of funds.
- The Fund's policy statements, including the Communications Strategy, Statement of Investment Principles, Statement of Responsible Investment Principles and Funding Strategy Statement are maintained regularly. Stakeholders are consulted on changes. Documents are available on the Fund's website.
- The Fund produces an Annual Report & Accounts. The full report is available on the website and is sent to members on request. The Fund also produces an annual newsletter for members as well as an annual benefit statement. Regular briefings are provided to employers. The Fund's website is updated regularly.

Head of Finance

Fife Council

20 June 2025

APPENDIX 2

FIFE PENSION FUND COMMUNICATION POLICY

(Jan 2025)

Introduction

Fife Pension Fund (the Fund), which is administered by Fife Council, provides pension administration and investment services for employers and employees of participating bodies of the fund.

The Local Government Pension Scheme (Scotland) Regulations 2018 require Fife Council, as administering authority, to prepare, publish and review its communication policy statement.

The communication 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.
- 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.

To achieve these objectives, our aim is to ensure communications are:

- Timely and factual and presented in plain language.
- Designed to meet the needs of each target audience.
- Delivered efficiently and effectively with an increased focus on digital communications.

Who we communicate with

- Scheme members.
- Scheme employers.
- Prospective scheme members and employers.
- Trade Unions.
- Pensions Committee
- Fife Pension Board
- Fife Council, as administering authority
- Staff in Pensions Administration and Investment Teams
- External service providers
- Other Scottish LGPS funds

How we will communicate

Fund Website

Our website contains a comprehensive range of pension information such as:

- Scheme policies
- Scheme benefits

- Contact details
- Links to other useful sites

The scheme website can be found at Home | Fife Pension Fund

Fife Council Website

The Pension Committee and Fife Pension Board agendas and minutes can be found on the main Council website. Pensions Committee | Fife Council

Member Self Service (MSS)

Member Self Service is a secure online portal that provides all members with real-time, 24- hour access to personal pension data. Members can carry out the following:

- Update personal information e.g., change of address, nominations of beneficiaries
- View scheme membership and financial details
- View Annual Benefit Statements
- Access publications such as scheme guides, newsletters and factsheets
- Carry out pension quotes on demand without needing to contact the Pensions Team
- Upload any documents that the Pensions Team request
- Use the contact facility to raise any questions
- Pensioner members can access payslips and P60 details and check/update their bank details

Web address for the MSS portal – Welcome - altair Member Self-Service (fife.gov.uk)

General Communications

The fund uses both paper mail and e-mail to send and receive general correspondence. Our business hours are Monday to Friday 9.00am to 4.00pm.

E-mail enquiries should be addressed to pensions.section@fife.gov.uk

Postal enquiries should be addressed to:

Pensions Administration Team
Fife House
North Street
Glenrothes Fife
KY7 5LT

Telephone enquiries should be made to 03451 555555 Ext 849091 during standard business hours.

Employers' Meetings

We provide training to scheme employers as and when required or on request from the scheme employer. All new employers in the Fund will also be provided with training. Employers will be expected to attend any such training, particularly where significant performance issues have been identified.

Member Presentations

Available to scheme members on specific pension related matters, such as HMRC pension tax rules or pre-retirement sessions.

Visit to our Office

Scheme members can arrange to visit our office to speak to a member of our Pensions Administration Team, however appointments must be pre-booked. We are also able to offer virtual meetings using Microsoft Teams where we can share documents with scheme members and answer any questions in the same way as a traditional face to face meeting

Specific Communications

Pensioners

Monthly payslips are available to view on Members Self-Serve. P60's will be available online with the option to request paper copies. The May payslips include reference to the annual Pensions Increase award.

Active Members

On joining the scheme new members are issued with a letter confirming scheme membership including links to the website and the Member Self Service portal. All scheme members can access on Member Self Service an Annual Benefit Statements, including explanatory notes.

In the event of changes to scheme regulations, these will be brought to the attention of scheme members either through direct mail, publication on the Fund Website and/or via the employer's normal communication channels.

Deferred Members

All deferred members can access on Member Self Service their Annual Benefit Statements including explanatory notes.

Prospective Members

We work with employers to promote the benefits of membership of the scheme through promotional material, including scheme booklets, and access to the Fund website**.**

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.
- Annual report on the Fund.
- Valuation report.
- Promotion of pension website. Guides/leaflets and forms can be downloaded from the site.
- Training and support provided by Team members on technical, procedural and policy matters.

Pensions Committee and Fife Pension Board

The Committee and Board members directly receive all meeting papers electronically. Agendas, meeting papers and minutes are available on the Council's website.

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

Representatives of Members

We 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, Unison and Unite are represented on the Fife Pension Board.

The Pension Team assists Trade Union representatives with member queries.

Evaluation

Comments on how the Fife Pension Fund communicates with any of our stakeholders are welcome. We are aware that 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 Contact us | Fife Pension Fund

APPENDIX 3

Investment commentary

Provided by LPFI Ltd

For the 12 months to 31 March 2026, global equities (as measured by the MSCI ACWI index) returned 17.5% in sterling terms (source: MSCI). The period was largely characterised by strong equity market momentum, though bookended in April 2025 and March 2026 by short bouts of heightened volatility. Trump's 'Liberation Day' announcements in early April 2025 sent equities sharply lower, though they then recovered strongly into the latter half of the year and into early 2026. However, military escalation in the Middle East at the end of February 2026 and the subsequent energy shock resulted in equities ending the period off their highs. Technology stocks and AI continued to be a major theme over the period, though sentiment became more nuanced as the year progressed. Late 2025 and early 2026 saw sell-offs in the software sector on the potential for AI disruption, with investors also questioning return prospects from ever-increasing AI-related capex announcements by major tech firms.

Following the rapid rise in UK interest rates over recent years, UK government bonds traded in a relatively narrow range over the period. Gilt returns had been supported by falling inflation expectations, though this reversed sharply following the escalation of events in the Middle East. Having started the period at 4.7%, the 10-year gilt yield declined to 4.2% at end February 2026, before ending the period at 4.9% amidst heightened rate volatility. The return on the FTSE Gilts All Stocks index (fixed rate bonds) for the year was +2.5%, while the FTSE Index-Linked Gilts All Stocks Index (inflation-linked bonds) returned +4.1%.

Corporate bond credit spreads (the difference in yields between bonds of differing quality) ended the period near all-time historic lows, having endured similar bouts of volatility alongside equities; UK investment grade credit (iBoxx Sterling Non-Gilts) returned +4.4% over the year. Meanwhile, valuations for unlisted infrastructure and commercial real estate were stable to modestly negative, with positive total returns over the year (broadly in the range of +3-6% (source: NT)) driven primarily by income yields.

At the time of writing, much attention is focused on the Middle East, with the US and Iran continuing to exchange proposals on a draft peace agreement. But global energy supplies remain disrupted two months on from the start of the conflict and the longer the supply shock persists, the greater the cumulative impact it will have on the global economy. Staglation risks are rising, with the UK already seeing lower growth forecast alongside higher inflation and falling consumer confidence. At the same time, there has been a renewed surge in momentum for AI-related stocks, with many of the usual hyperscaler and semi-conductor suspects (Alphabet, Amazon, NVDA, ASML etc) trading at or near all-time highs, as investors have gained some measure of comfort from recently reported results. As ever, there remain ongoing macroeconomic and geopolitical challenges for market participants to navigate.

Note: all figures sourced form Bloomberg, except where noted separately

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

Reporting on the audit of the financial statements

Opinion on financial statements

We certify that we have audited the financial statements in the annual report of Fife Pension Fund (the Fund) for the year ended 31 March 2026 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Fund Account, the Net Asset Statement and notes to the financial statements, including a summary of material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the 2025/26 Code).

In our opinion the accompanying financial statements:

- give a true and fair view of the financial transactions of the fund during the year ended 31 March 2026 and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2025/26 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.

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 18 May 2022. Our period of appointment is five years, covering 2022/23 to 2026/27. We are independent of the fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council as administering authority for the fund. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the fund's current or future financial sustainability. However, we report on the fund's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

Risks of material misstatement

We report in our Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

Responsibilities of the Executive Director Finance and Corporate Services and Pensions Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Executive Director Finance and Corporate Services is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Executive Director Finance and Corporate Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director Finance and Corporate Services is responsible for assessing the fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the fund's operations.

The Pensions Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using our understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, the Local Government in Scotland Act 2003, and The Local Government Pension Scheme (Scotland) Regulations 2018 as amended are significant in the context of the fund;
- inquiring of the Executive Director Finance and Corporate Services and the Convener of the Pensions Committee as to other laws or regulations that may be expected to have a fundamental effect on the operations of the fund;
- inquiring of the Executive Director Finance and Corporate Services and the Convener of the Pensions Committee concerning the fund's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among our audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the fund's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Reporting on other requirements

Other information

The Executive Director Finance and Corporate Services is responsible for the other information in the annual report. The other information comprises the Management Commentary, Annual Governance Statement, Governance Compliance Statement, Statement of Responsibilities and other reports included in the annual report other than the financial statements and our auditor's report thereon.

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Management Commentary, Annual Governance Statement and Governance Compliance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Management Commentary, Annual Governance Statement and Governance Compliance Statement

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003;
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016): and
- the information given in the Governance Compliance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with The Local Government Pension Scheme (Scotland) Regulations 2018.

Matters on which we are required to report by exception

We are required by the Accounts Commission to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual report, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our Annual Audit Report.

Use of our report

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 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Karen Jones, (for and on behalf of Azets Audit Services)
Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Date:

ADDITIONAL INFORMATION

Actuaries:	Hymans Robertson LLP
Auditors:	Azets
Bankers:	Royal Bank of Scotland
	The Northern Trust Company
Investment Advisors:	LPFI Limited
	Stan Pearson
	Stephen Jones
	Hymans Robertson Investment Consultants
Fund Custodians:	The Northern Trust Company
Independent Professional Observer	Clare Scott
Legal Advisors:	CMS Cameron McKenna Nabarro Olswang LLP
	Fife Council – Legal Services

Contact Details

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

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

For benefit information, address to the Pensions Team, Finance & Corporate Services.

Email: Pensions.section@fife.gov.uk

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

Email: Banking.Investments@fife.gov.uk

Fife Pension Fund – Glossary of Terms

Governance

Term	Definition
Administering Authority	The local authority responsible for managing an LGPS fund.
Governance Compliance Statement	A statutory document detailing how an LGPS fund complies with governance requirements.
Pension Board	A body established to assist the Administering Authority in ensuring compliance with LGPS regulations.
Pension Committee	A committee within the administering authority responsible for fund governance and decision-making.

Investment

Term	Definition
Benchmark	A standard or index against which the performance of a fund or investment is measured.
Benchmark Return	The return of a benchmark index against which the performance of a fund is measured.
Credit	A fixed income investment in which an investor loans money to an entity in exchange for interest payments.
Custodian	A financial institution that holds and safeguards a fund's assets.
Derivatives	Financial instruments whose value is derived from an underlying asset (e.g., futures, options, swaps), used for hedging or investment purposes.
Equities	Shares of ownership in a company, representing a claim on part of the company's assets and earnings.
Excess Return	The return of an investment relative to the return of a benchmark.
Fair Value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.
Fixed Income	Investments that provide regular income payments, such as bonds.
Fund Manager	A professional responsible for making investment decisions and managing a portfolio of assets.
Fund Return	The return generated by a fund's investments over a specific period.
Investment Consultant	A professional advisor who helps pension funds develop and implement investment strategies.
Investment Costs	All costs associated with managing investments, including management fees, transaction costs, and performance fees.
Joint Investment Forum (JIF)	A forum of external independent advisers and members of Lothian Pension Fund internal investment team who are FCA authorised individuals and executive officers from the three partner funds. The JIF meets quarterly to review investment performance, implementation of strategies and other investment related matters. Both the internal and external advisers provide strategic investment advice to the Head of Finance.

MSCI	Morgan Stanley Capital International – a provider of global equity indexes used as benchmarks.
Policy Group	Categories of assets with similar risk and return characteristics.
Pooled Investment Vehicle	An investment fund that combines money from multiple investors to invest in a diversified portfolio.
Real Assets	Physical assets such as real estate and infrastructure.
Responsible Investment (RI)	An investment approach that considers environmental, social, and governance (ESG) factors.
Sovereigns	Bonds issued by a national government.
Statement of Investment Principles	A document setting out the Fund's investment objectives, policies and principles adopted by the Committee in undertaking the investment of fund monies.
Statement of Responsible Investment Principles	A document explaining the Fund's approach to oversight and monitoring of the Fund's investment activities from a responsible investment and stewardship perspective.
Strategic Asset Allocation	The distribution of investments across different asset classes (e.g., equities, bonds, property).
Stock Lending	The practice of lending securities to other investors or institutions in exchange for a fee, often used to generate additional income.
Fair Value Hierarchy Level 1	Investment assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.
Fair Value Hierarchy Level 2	Investment assets and liabilities at Level 2 are those where quoted market prices are not available, for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.
Fair Value Hierarchy Level 3	Investment assets and liabilities at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments include unquoted investments, investments in property funds and inflation index linked notes, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

Actuarial

Term	Definition
Actuarial Assumptions	Estimates about future events (e.g., inflation, salary growth, life expectancy) used in actuarial valuations.
Actuarial Valuation	A formal assessment of a pension fund's assets and liabilities, typically conducted every three years.
Actuary	An independent consultant who advises on the viability of the Fund. Every 3 years the actuary reviews the assets and liabilities of the Fund and reports to the Council as administering authority on the financial

	position and the recommended employer's contribution rates.
Discount Rate	The interest rate used to calculate the present value of future pension liabilities.
Funding Level	The ratio of a pension fund's assets to its liabilities, expressed as a percentage.
Funding Strategy Statement (FSS)	A document outlining how an LGPS fund plans to meet its pension liabilities over time.
Liabilities	The estimated value of future pension payments owed to members.
McCloud Remedy	A legal remedy addressing age discrimination in public sector pension schemes following the McCloud judgment.
Section 13 Valuation	A Government Actuary's Department (GAD) review of LGPS valuations to ensure consistency and compliance.
Surplus	When a pension fund's assets exceed its liabilities.
Triennial Valuation	The three-yearly actuarial review of a pension fund's financial health.

Risk

Term	Definition
Climate Risk Reporting	Disclosure of climate-related financial risks, aligned with frameworks like TCFD (Task Force on Climate-related Financial Disclosures).
Employer Covenant	An assessment of an employer's financial ability to support its pension obligations.
Risk Management	The process of identifying, assessing, and controlling threats to an organization's capital and earnings.
Stewardship	The responsible oversight of investments, including engagement with companies and voting on shareholder issues.
Transition Risk	Financial risks associated with the transition to a low-carbon economy.

Reporting

Term	Definition
ACWI	All Country World Index – a global equity index covering both developed and emerging markets.
Annual Governance Statement	A document outlining how a fund complies with statutory governance requirements.
CIPFA	Chartered Institute of Public Finance and Accountancy – provides accounting and reporting guidance for LGPS funds.
Cost Transparency	The disclosure of all investment-related costs and charges, including hidden fees, to improve accountability and value for money.
Financial Instruments	Contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another (e.g., bonds, shares, derivatives).
Net Asset Value (NAV)	The total value of a fund's assets minus its liabilities.
Valuation Date	The date at which the actuarial valuation is calculated (e.g., 31 March 2023).

Fife
Pension Fund

Administered by Fife Council

Fife
COUNCIL