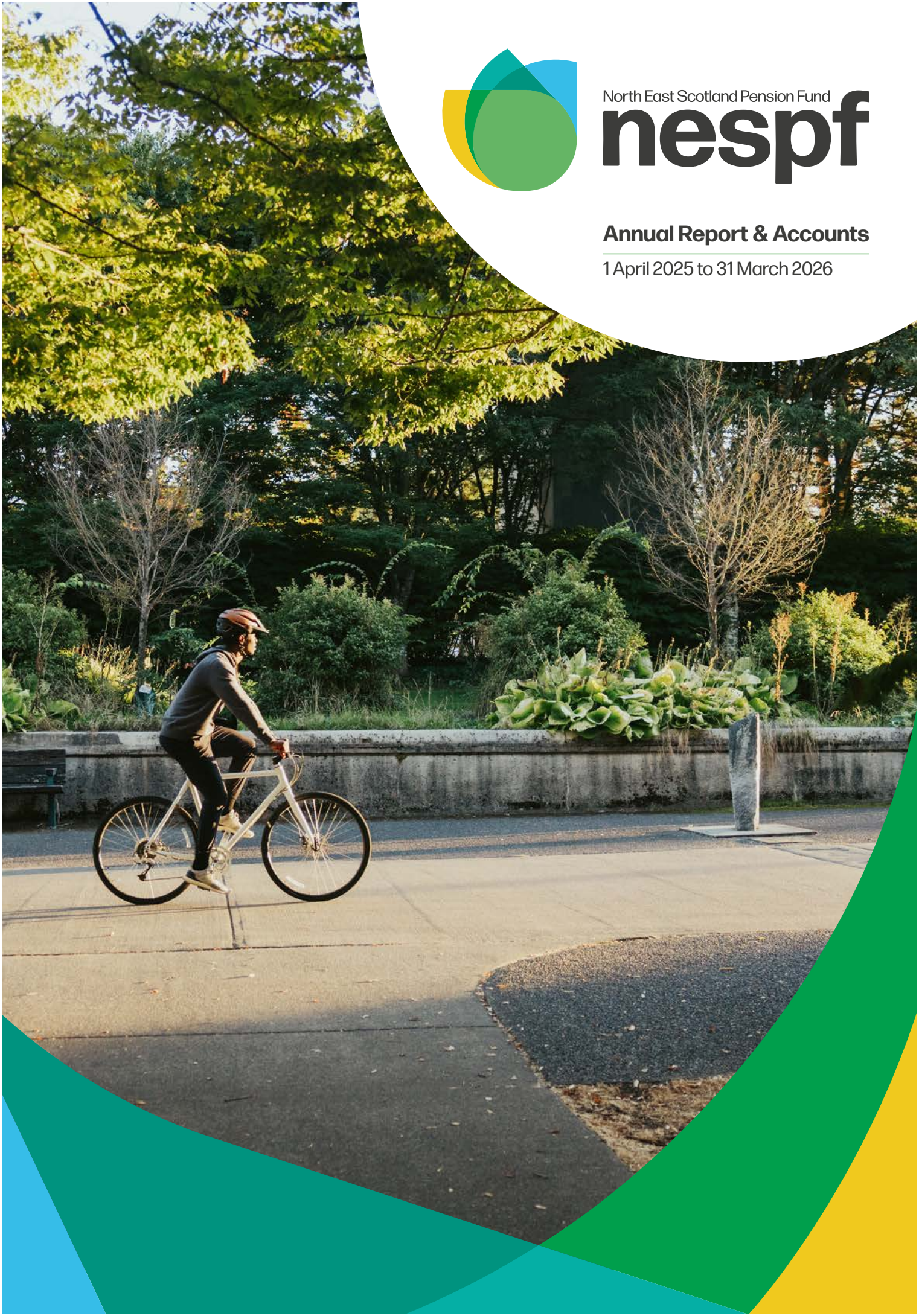
North East Scotland Pension Fund

nespf

Annual Report & Accounts

1 April 2025 to 31 March 2026



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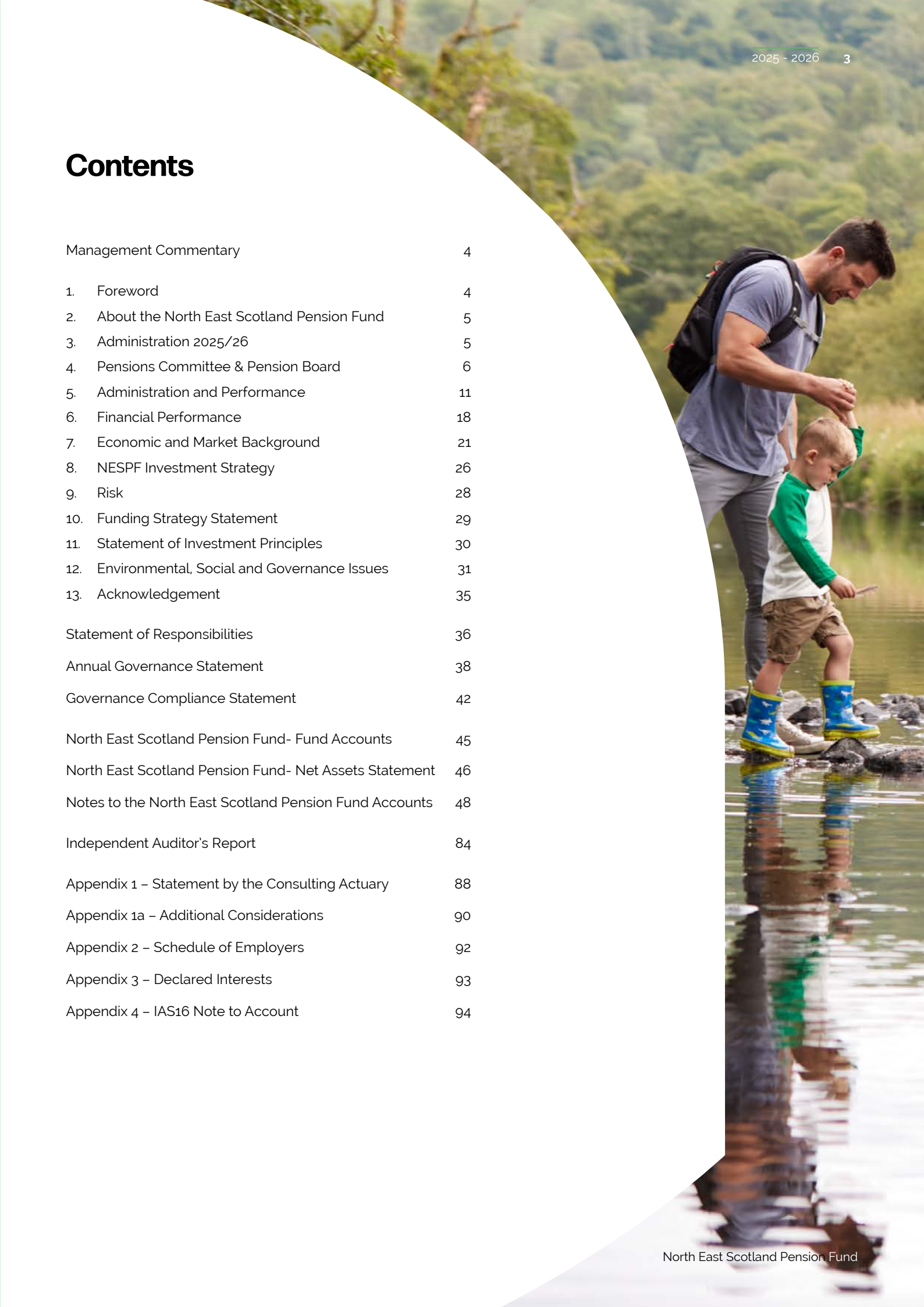


Management Commentary

1. Foreword

As Convener of the Pensions Committee for the North East Scotland Pension Fund (NESPF), I am pleased to introduce the 2025/26 Annual Report and Accounts.

2025/26 was another busy year which saw the NESPF lean on the knowledge and expertise of its staff and model best practice to overcome challenges and achieve success.

Despite continued turbulence across the global marketplace, the Fund navigated through uncertainty to achieve an increase in Net Asset Value to £6.656bn with positive investment returns delivering 6.3%. Over the long term, NESPF continues to outperform its benchmark returns and additional comparators such as Consumer Prices Index and Average Earnings. These positive figures are testament to the diversified portfolio the Fund operates to help spread the risk of exposure to any one investment area or stock, reducing the negative impact of financial downturns.

While investment returns are a key consideration, the Fund also actively engages with Environmental, Social and Governance (ESG) issues. During 2025/26, the NESPF became one of the first asset owners to enforce pass-through voting within eligible pooled funds managed by State Street Global Advisors (SSGA). This landmark collaboration enables the Fund to vote transparently on key issues according to its own responsible investment values.

In terms of operational achievements during 2025/26, one prominent undertaking by the Fund was implementation of the McCloud Remedy data to member records. This was a significant undertaking due to the scale of the project and the volume of information to update. By utilising efficient administration processes and systems available, members were split into distinct categories, with tailored McCloud information provided. This continues to be a long-term project for the Fund to ensure all members are provided with accurate McCloud information.

Another administrative priority during 2025/26 was to reduce the backlog of aggregation cases. Through the formation of a cross-functional team bringing together unique skillsets and expertise, a total of 5,212 cases (out of 5,215) were successfully completed over the nine month project deadline. This work subsequently improved data accuracy, operational efficiency, and ultimately member confidence and service outcomes.

A further key focus of 2025/26 was the Fund's My Pension+ portal. The Fund continued to work with its technology provider to develop advanced functionalities, with feature parity being the key driver. One of the most exciting innovations was the introduction of online processing, which allows members to acknowledge forms and documents digitally.

Following positive initial tests this automated process has been rolled out to online active and deferred retirements with the potential for application to further processes being considered. As a frontrunner of this new technology, many other Funds reached out to the NESPF for support with their own system developments.

In recognition of its unwavering efforts to provide an excellent standard of pensions delivery, the NESPF was proud to receive three awards at the prestigious Local Government Chronicle (LGC) Investment Awards. The Fund was recognised in the fields of Environmental Social Governance (ESG) Innovation, Innovation in Administration and Outstanding Individual Contribution, as well as being shortlisted for several other industry achievements.

Looking ahead to 2026/27, while maintaining focus on delivering core pension services, the Fund will undertake key projects such as the Local Government Pension Scheme (Scotland) (Amendment) Regulations 2026. This will be a large scale project and will see changes brought in to administration and reporting, focusing on bridging the Pensions Gender Gap. The Fund will also prepare for the launch of the Pensions Dashboard which is expected to go live to the general public in 2027/28 and continue to focus on our stewardship efforts.

The Fund obtained an extended deadline of 31 August 2026 for the completion of McCloud rectification work. With the exception of 30 cases which require information from other pension providers, this was achieved. The team also delivered the NESPF's first conference in July 2026 covering local investment.

To conclude, I would like to give thanks to my colleagues on the Pensions Committee and Pension Board, our advisors and Fund staff for their commitment and efforts this year.



Councillor John Cooke

Pensions Committee Convener

30 September 2026

2. About the North East Scotland Pension Fund

The North East Scotland Pension Fund (NESPF) administers the Local Government Pension Scheme (LGPS) for employers located throughout the North and North East of Scotland.

The LGPS is a Defined Benefit public sector Pension Scheme that was established under the Superannuation Act 1972. It is one of the main public sector Pension Schemes in Scotland and provides members with a range of valuable benefits including an annual pension, lump sum payments and a range of pension provisions for family and loved ones. The LGPS is administered locally by 11 Government authorities, with Aberdeen City Council acting as the Administering Authority for the North East.

NESPF had an asset value of £6.7 billion and 78,646 members at 31 March 2026. It is the third largest LGPS Fund in Scotland.

The Fund has one primary objective; to ensure the payment of pension benefits to our members as they become due. It is this single purpose that drives the Fund's long term policies and strategies. To achieve this objective, funds are built up from contributions from both employees and employing bodies, together with interest, dividends and other income generated from our investments.

There are strict rules and legislation which set out how the LGPS, and by extension the Fund, operate. These include the LGPS (Scotland) Regulations which are Scottish Statutory Instruments (SSIs) as well as separate regulations that set out Scheme benefits, investment and governance requirements. These provide assurance for all members, employers, taxpayers and stakeholders that the Fund operates efficiently and manages itself to ensure our key objective, paying out pensions, is met.



3. Administration 2025/26

Administering Authority	Aberdeen City Council
Committees	Pensions Committee, Pension Board
Chief Executive	Angela Scott *(Resigned with effect from 11 September 2026)* Andy MacDonald *(appointed Interim Chief Executive with effect from 12 September 2026)*
Chief Officer – Finance	Jonathan Belford
Actuary	Hymans Robertson LLP
Global Custodian	HSBC
Performance Measurement	HSBC
Banks	Virgin Money* & HSBC
AVC Providers	Prudential, Standard Life Assurance
Bulk Annuity Provider	Rothesay Life Plc
External Auditor	Audit Scotland
Internal Auditor	Aberdeenshire Council
Investment Consultant	Isio
Legal Adviser	Aberdeen City Council, Brodies
Employers	For full details see Appendix 2

**Clydesdale Bank trading as Virgin Money*

4. Pensions Committee & Pension Board

Pensions Committee

While day to day administration of the Pension Fund is the duty of Pension Fund officers, decision making and overall responsibility has been delegated to the Pensions Committee by Aberdeen City Council. The Pensions Committee carries out a role similar to that of trustees of a Pension Scheme. It is the key decision maker for all matters under LGPS Regulations including benefit administration and investment management.

As a public sector pension provider, both the Council and the Pensions Committee recognise that they have fiduciary duties and responsibilities not only towards Pension Scheme members and participating employers but to local taxpayers. The Committee meets on a quarterly basis to address a range of matters such as risk management, administration, funding, investment strategy and performance.

The Committee consists of nine elected members of Aberdeen City Council each with equal voting rights. Aberdeen City Council's approach to committee appointments is governed by a structured legal and procedural framework rooted in statutory authority and internal governance instruments. The process reflects principles of transparency, political representation, and administrative efficiency. Appointments are typically made in accordance with political balance, reflecting the composition of the elected Council. This ensures proportional representation across political groups. Following a full Council meeting in February 2024, the number of Committee members was reduced from 13 to 9. As at 31 March 2026, the Committee had three vacancies, two of which are allocated to Labour members and have been vacant since December 2022. The third, allocated to Independent members of Aberdeen City Council, became vacant in June 2025. The Parties are aware of this allocation but have not nominated members to fill these allocated positions to date.

Membership 2025/26

Name	Member as at 31 March 2025	Joined	Left	Member as at 31 March 2026
Cllr John Cooke	Yes			Yes
Cllr Neil MacGregor	Yes			Yes
Cllr Dell Henrickson	Yes			Yes
Cllr Derek Davidson	Yes			Yes
Cllr Duncan Massey	Yes			Yes
Cllr Kairin van Sweeden	Yes			Yes
Cllr Barney Crockett	Yes		20/06/2025	No
Total	7	0	1	6

Notes:

Prior to 2 June 2025, Councillor Massey filled the Conservative allocation on the Pensions Committee. Following a move to Reform, a report was taken to the Council meeting on 2 July 2025 and a decision was taken to re-allocate the one Conservative place to Reform. This decision saw Councillor Massey rejoining the Committee as the Reform representative.

Meeting Attendance in 2025/26

Name	20/06/25	12/09/25	12/12/25	20/03/26	Overall Attendance
Cllr John Cooke	✓	✓	✓	✓	100%
Cllr Neil MacGregor	✓	✓	✓	✓	100%
Cllr Dell Henrickson	✓	✓	✓	✓	100%
Cllr Derek Davidson	✓	✓	✓	✓	100%
Cllr Duncan Massey	N/A	✓	✓	✓	100%
Cllr Kairin van Sweeden	✓	✓	✓	✓	100%
Cllr Barney Crockett	X	N/A	N/A	N/A	0%

Pension Board

The Board's primary function is to ensure that the Fund complies with regulations and meets the requirements of The Pensions Regulator. In doing so, the Board ensures the Fund operates in accordance with the law, securing the effective and efficient governance and administration of the Scheme.

Board membership comprises of eight members, four trade union representatives and four employer representatives appointed from Councils and Scheduled or Admitted Bodies. The Pension Board membership is shown below;

Membership 2025/26

Membership	Name	Member as at 31 March 2025	Joined	Left	Member as at 31 March 2026
Unite	Alan Walker	Yes			Yes
The Moray Council	Cllr David Gordon (Chair)	Yes			Yes
Aberdeenshire Council	Cllr Stephen Smith	Yes			Yes
UCATT	Gordon Walters (Vice Chair)	Yes			Yes
Unison	Morag Lawrence	Yes			Yes
Aberdeen City Council	Cllr Jessica Mennie	Yes		14/08/2025	No
Aberdeen City Council	Cllr David Cameron, The Lord Provost	No	14/08/2025		Yes
GMB	Neil Stirling	Yes			Yes
North East Scotland College	Stuart Thompson	Yes			Yes
Total		8	1	1	8

Meeting Attendance in 2025/26

Name	20/06/25	12/09/25	12/12/25	20/03/26	Overall Attendance
Alan Walker	✓	✓	✓	✓	100%
Cllr David Gordon	✓	✓	✓	✓	100%
Cllr Stephen Smith	✓	✓	✓	✓	100%
Gordon Walters	✓	✓	✓	✓	100%
Morag Lawrence	✓	✓	✓	✓	100%
Neil Stirling	✓	✓	✓	✓	100%
Stuart Thompson	✓	X	✓	✓	75%
Cllr Jessica Mennie	X	N/A	N/A	N/A	0%
Cllr David Cameron, The Lord Provost	N/A	X	X	X	0%

Apart from the Pension Board's Annual Meeting, the Board sits at the same time as the Pensions Committee. To further enhance transparency and openness, both the Board and Committee receive the same reports for each meeting. These reports include information on all areas of the Pension Fund; Investment, Accounting, Governance, Employer Relationship, Administration and Systems.

In assisting with compliance, the Board can report the Fund to The Pensions Regulator for non compliance with guidance or regulations. In 2025/26 no issues were reported by the Board to The Pensions Regulator. The Pensions Regulator's General Code of Practice came into force on 28 March 2024. This code details TPR's expectations of what is required to maintain an effective system of governance. The Fund has taken appropriate steps to ensure compliance with the new code.

The Annual Report of the Pension Board, which reviews its activity for the year, is available on our website: **https://www.nespf.org.uk/about/who-runs-the-pension-fund/pension-board/**

Conflicts of Interest

The Fund maintains a 'Conflicts Register' to record and monitor all potential or actual conflicts noted prior to or during Pension Committee and Board meetings.

A 'Declaration of Interest' form is completed every 12 months and individuals confirm that the information submitted is complete, accurate and is to the best of their knowledge.

In terms of management, where an actual conflict of interest arises the following option(s) exist:

- **A member can withdraw from the discussion and decision making process;**
- **The Pension Board can establish a sub board to review the issue (where the terms of reference give the power to do so); or**
- **If the conflict is so fundamental that it cannot be managed in any other way, the member can resign.**

Pensions Committee members are governed by the national Councillors' Code of Conduct. Training on the Code of Conduct was delivered by Aberdeen City Council in May 2022.

A full list of each member's interests can be found on the Aberdeen City Council website: **https://aberdeen.moderngov.co.uk/mgMemberIndex.aspx?bcr=1.**

Committee and Board Training 2025/26

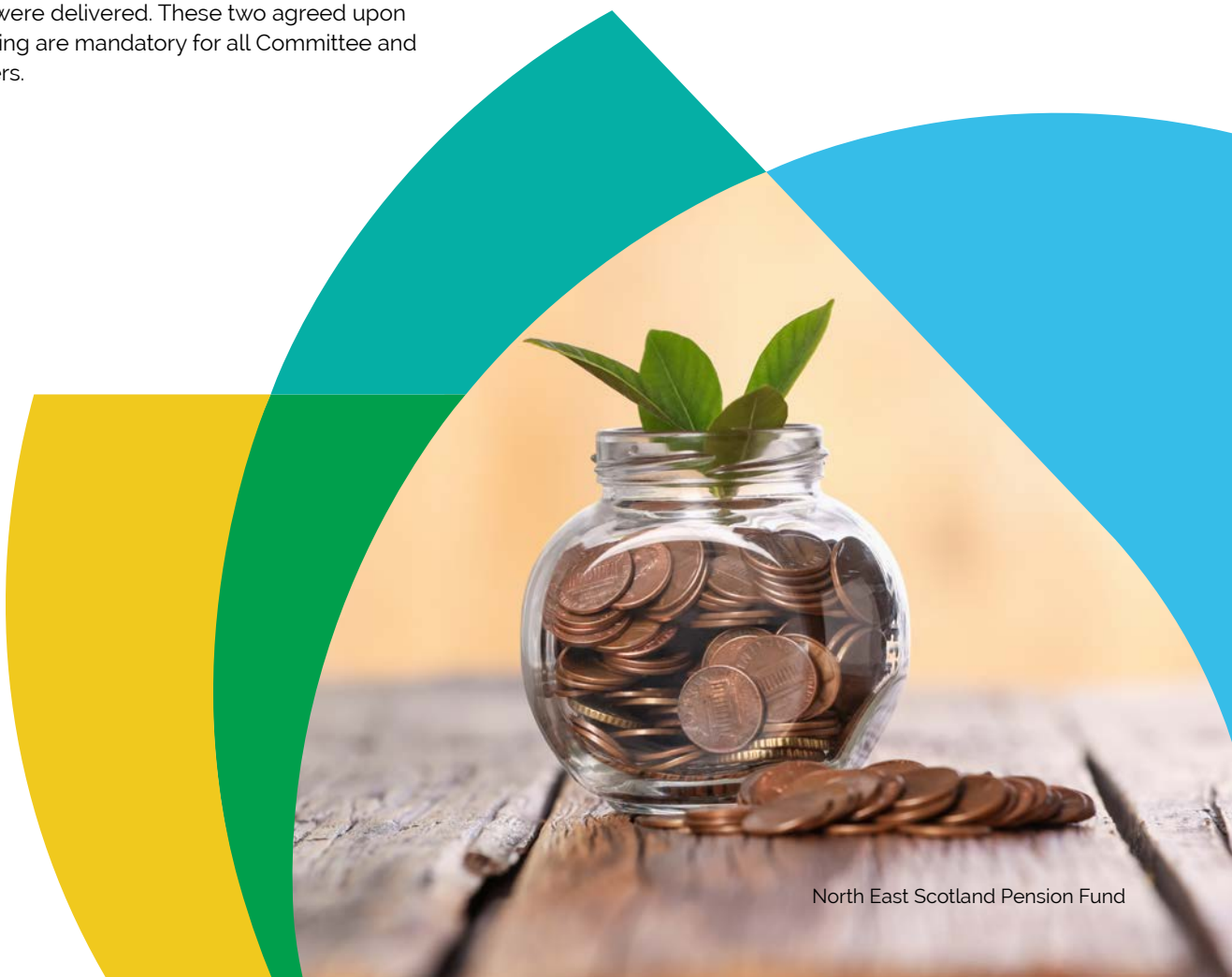
Pensions Committee members are not legally obliged to undertake training. The Fund feels strongly that Committee members should receive training to ensure that they have the necessary level of knowledge and understanding to exercise their functions. Whereas for the Board, the Public Service Pensions Act 2013 requires that members have an appropriate level of knowledge and understanding in order to carry out their role. The agreed Training Plan for both Committee and Board members has an expectation that members maintain their level of knowledge and training throughout the year. Recording and monitoring of attendance at meetings or training events ensures the requirements of the Training Plan are met.

At the June 2019 meeting the Pensions Committee and Pension Board agreed to undertake the online Public Service Toolkit produced by The Pensions Regulator, this is an ongoing training requirement for any new members.

The Training Report and Training Policy are reviewed and presented to Committee annually. Committee and Board members also agreed, following recommendation, to work through and complete the Hymans LGPS Online Learning Academy (LOLA), and on an ongoing basis thereafter as new versions were delivered. These two agreed upon pieces of training are mandatory for all Committee and Board members.

Pensions Committee -
Mandatory Training Record as at 31 March 2026

Name	Hymans Robertson LOLA Version 2.0	TPR Toolkit	Completed
Cllr John Cooke	✓	✓	2/2
Cllr Neil MacGregor	✓	✓	2/2
Cllr Dell Henrickson	✓	✓	2/2
Cllr Derek Davidson			0/2
Cllr Duncan Massey	✓	✓	2/2
Cllr Kairin van Sweeden	✓	✓	2/2
Cllr Barney Crockett*			0/2



Pensions Board - Mandatory Training Record as at 31 March 2026			
Name	Hymans Robertson LOLA Version 2.0	TPR Toolkit	Completed
Alan Walker	✓	✓	2/2
Cllr David Gordon	✓	✓	2/2
Cllr Stephen Smith	✓	✓	2/2
Gordon Walters	✓		1/2
Morag Lawrence	✓	✓	2/2
Cllr Jessica Mennie*	✓		1/2
Neil Stirling	✓	✓	2/2
Cllr David Cameron, The Lord Provost*	✓	✓	2/2
Stuart Thompson	✓		1/2

Notes for Committee and Board tables above:

* Leavers/joiners during the year

In addition to the mandatory training, the Pensions Committee and Board were offered additional training opportunities including:

- **Introductory training delivered by Laura Colliss, Pensions Manager, for all new Committee and Board members;**
- **A variety of webinars covering topics from industry experts such as:**
  - **Government Policy for the LGPS;**
  - **Roles and Responsibilities of the Pension Board**
- **Online session with Nick Gannon of The Pensions Regulator (TPR) on the role and approach of TPR in relation to Public Service Pension Schemes, the General Code of Practice and breach reporting.**

Members had the option to complete further additional training courses out with those advertised, if they so wished.



5. Administration and Performance

Digital Development & Engagement

The NESPF understands that modern digital technology has the ability to deliver accessible and current pensions information to members. The Fund utilises its own digital member portal, My Pension+, which was upgraded in June 2023. Since its introduction, the Fund has encouraged members to register for this tool to engage with their pension at their own discretion.

During 2025/26, the site moved away from being a hybrid site linking to the old My Pension platform, to become fully self-sufficient. During the course of the year, the Fund continued to work with Heywood Pension Technologies on the development of outstanding functionality, with feature parity the key driver. Not only were new functions initiated, improvements and updates were made to existing ones.

There was a vast amount of development undertaken including:

- **Implementing online processing to allow forms to be produced and distributed to members and completed online, removing the need for paper based communications for certain processes**
- **Expanding Super User, the administrative support tool behind My Pension+ to improve functionality, add new features and ensure a relevant audit trail is recorded**

Registration and migration statistics as at 31 March 2026 are displayed below:

	Registered Members	% Members Registered	Members on My Pension+	% Members on My Pension+
Active	16,516	69%	13,669	57.1%
Deferred	10,886	65.1%	7,940	47.5%
Pensioners & Dependants	11,253	43.5%	6,746	26.1%
Undecided Leavers	202	54.7%	178	48.2%

- Registered members are defined as members that have signed up for My Pension+ or the old My Pension service. The %s of members registered are calculated as a % of the number of records for each status.
- Some members are counted within multiple categories (e.g. members with a deferred and an active record).



Annual Benefit Statements

Annual Benefit Statements (ABS) in 2025 were delivered online as per previous years, with both active and deferred statements accessible on My Pension+ via a regulatory compliant ABS webpage. Included within this is an AI generated personalised video, explaining pension values and highlighting key benefits of the Scheme.

One of the main advantages of issuing digital statements is that it allows for greater performance monitoring. Through website analytics, A/B email testing and establishing key performance indicators such as open and click through rates of email campaigns, the Fund can gain a better understanding of its membership and their behaviours and thus modify its approach to maximise engagement with them.

The overall percentage achieved for providing benefit statements to more than 45,000 active and deferred members prior to the 31 August deadline was 99.83%.

Pension Administration Strategy (PAS)

In December 2022 a revised PAS was approved by the Pensions Committee following a full consultation. The aim of the PAS is to aid the delivery of high quality pension administration for the members of the Fund on behalf of its participating employers.

The underlying objectives are:

- **To provide high quality pension service delivery;**
- **Paying pensions and calculating benefits due accurately and on time;**
- **Good working relationships between the NESPF and its participating employers;**
- **Delivery of the LGPS requirements in line with the Scheme regulations;**
- **Compliance with the Codes of Practice put in place around service delivery and service standards.**

The PAS report will be updated during 2026 as part of the ongoing Key Performance Indicator (KPI) project.

Processing Performance

Key performance measurement	Target	Work Volume	Target Achieved	2025/26	2024/25
Death in service notification to dependant	5 days	40	40	100%	94%
Death of deferred/pensioner notification to dependant	5 days	409	407	99.5%	86%
Deferred benefit Care Only statutory processing*	2 months	1,371	1,282	93.5%	99%
Deferred benefit Final Salary statutory processing*	2 months	570	524	91.9%	95%
Deferred benefit notification	10 days	1,691	1,673	98.9%	98%
Refund of contributions notification	10 days	440	421	95.7%	96%
Retirement benefit notification	10 days	1,708	1,227	71.8%	81%
Retirement estimate notification	10 days	475	473	99.6%	100%
Transfer in quotation	10 days	146	119	81.5%	85%
Transfer out quotation	10 days	187	178	95.2%	79%
Total		**7,037**	**6,344**	**90.2%**	**92%**

**In 2024/2025 the target was within 60 days*

Percentages are reported through dashboards created in Insights data analysis software. This removes the requirement to run quarterly reports as performance is available in real time. This year saw a slight dip in overall performance in comparison to previous years, however the percentage achieved remains above 90% for the fourth consecutive year.

Retirement benefit notifications saw a challenging start to the year due to additional time needed to do the calculations post pensions increase and the necessity to perform mostly manual calculations for 86 cases due to the system not being able to calculate specific circumstances. This performance lasted into June/July due to an unexpected addition of a high volume of redundancy retirements from one of our employers. As these members retired on 30 March 2025, this meant each calculation had to be adjusted manually, lengthening the overall processing time for each case. Performance during the rest of the year was strong but could not quite bring the percentage back up to the higher levels of previous years.

The focus on improving the performance of transfers out somewhat removed focus on transfers in, causing the balance to shift. In addition, issues with data views on the administration system not yet being able to process McCloud transfers properly meant that many calculations could not be completed until towards the end of the year, further reducing percentages.

In 2024 the Department for Levelling Up, Housing and Communities (DLUHC) issued guidance to LGPS funds in England and Wales around preparation of the Pension Fund annual report. This guidance was jointly produced by the Scheme Advisory Board (SAB), the Chartered Institute of Public Finance and Accountancy (CIPFA) and DLUHC, in consultation with Funds, industry experts and other interested stakeholders.

With the expectation that these new KPI's will follow in Scotland, it is worth noting that one Scottish fund reported on them in its 2024/25 annual report. NESPF has taken the decision to implement these from 1 April 2026. Standardised KPI's will allow performance comparison across the Scottish LGPS Funds and these will be formally reported on from 2026/27.

McCloud Remedy

In December 2018, the Court of Appeal ruled in McCloud v Ministry of Justice that transitional protection offered to some members as part of pension reform amounted to unlawful discrimination. In July 2019 following employment tribunal, the Government stated the difference in treatment would be remedied across all public sector Schemes. This became known as the McCloud remedy with the LGPS (Remediable Service) (Scotland) Regulations 2023 coming into force on 1 October 2023.

The administrative burden of applying the McCloud regulations has been impactful on the Fund with more than 18,500 historic calculations having been completed. Additionally, over the course of 2025/26 the team have completed checks and manual calculations for around 1,000 cases which could not be done automatically through the pension administration system.

The original deadline for completing all McCloud recalculation and rectification work was 31 August 2025. However, as a result of a delay in guidance and updates to the administration system, the Fund had to issue a determination to extend the deadline to 31 August 2026 for recalculations of transfers, divorce and death in service benefits. As of the 2026 deadline, 30 transfer calculations remain outstanding as we await further information from other pension providers. As a result of not completing the backlog in line with the new deadline, the Fund will issue a breach of law report to The Pensions Regulator.

Following the rectification work, McCloud will continue to be part of the day to day administration of member benefits. Final calculations will be required for active and deferred members that fall within the McCloud remedy period as they retire. Currently the total cost of paying Final Guaranteed Amounts is £21,029. This figure will increase as more McCloud eligible members retire, and their benefits are crystallised.

Employer Data Provision

Throughout the year, good quality, timely data for all active members was provided by the participating employers through the secure online portal, i-Connect. The data uploaded directly, on a monthly basis, updates the pension administration system with starters, leavers, contributions and pay information and ensures that each member's personal details are kept up to date.

More than 1 million data events were uploaded to the pension administration system in 2025/26 with 99% of all employer data uploads being made in line with Fund deadlines.

The use of i-Connect for data collection provides substantial benefits and ensures the Fund is in the best position to meet the administrative and regulatory requirements of the Scheme.

The benefits include:

- **Reduced administrative burden for day to day processing, contribution reconciliation and preparations needed in advance of issuing Annual Benefit Statements;**
- **Improved data quality allowing the Fund and the participating employers to have confidence in the triennial valuation results;**
- **Members have access to up to date information on their individual records through My Pension+;**
- **Significant advantages in respect of the future challenges faced by the Fund around being dashboard ready, completing the McCloud remedy and other regulatory requirements.**

The Fund continues to engage with participating employers, the system provider and other Pension Funds around the development of i-Connect to ensure it continues to deliver data requirements of the ever changing LGPS.

Data Quality

The Fund holds a vast amount of data on our pension administration system, individual records exist for each contract of employment for all members including active, pensioner and deferred members. The quality of data held in relation to these member records directly impacts on all aspects of Fund administration including the calculation of benefits, payment of member's pensions and the triennial valuation results.

Due to the method of data collection and the level of checking and reconciliation that is carried out, the information held is consistently of a high quality. This provides comfort for the Fund, the participating employers and the members, around the accuracy of the benefits held and the funding calculations.

The data quality scores that are provided by the Fund as part of the Pensions Regulator annual Scheme return are provided by Insights data analysis software. Dashboards and reports allow us to assess the data held against several parameters allowing for direct comparison against previous years and other LGPS Funds.

The annual Scheme return scores are as follows:

	2024	2025	Target
Common Data	98.7%	98.7%	100%
Scheme Specific Data	98.9%	94.4%	100%

The Fund's data quality improvement plan is revised annually to maintain the high quality of data held and explore options for further improvement; this is especially relevant for Pension Dashboards.





Pension Dashboards

The Pensions Dashboards Programme (PDP) will enable individuals to access all their pensions information online, securely and in one place. All Schemes with over 100 members are compelled by legislation to connect to the Government's pension dashboard ecosystem to provide member data for all pensions not already in payment when requests are received.

The Fund connected to the dashboards in line with the public sector connection date of 31 October 2025 using our Integrated Service Provider (ISP), Heywood Pension Technologies. Work is ongoing to ensure that data is available to all members and resources are adequate to meet any additional administrative demands once the dashboards are made available to the public.

The national dashboards will be made available to the general public at the 'Dashboard Available Point (DAP).' All Funds will be given 6 months advance notice of the DAP. The Money and Pension Service have recently announced that they expect their MoneyHelper Pensions Dashboard to be available to the general public in the 2027/28 financial year.

In March 2025, the Pensions Dashboard Programme contacted all Funds to ask for assistance in recruiting members for the next phase of testing. The Fund agreed to email invitations to deferred and active members which resulted in over 500 of our members agreeing to be part of the testing population. By having NESPF members taking part, this will allow us to test our data quality, matching criteria and response times in advance of the DAP.

Complaints

NESPF aims to demonstrate the highest level of customer service at all times, however disputes and issues sometimes arise. The Fund takes all complaints seriously and will attempt to resolve issues in an effective and timely manner.

Complaints are handled in accordance with Aberdeen City Council's Complaints Handling Procedure. All complaints the Fund receives are monitored and recorded by the Governance team in the Complaints Register.

If no resolution is possible at the informal stage, the complaint proceeds to the Fund's Internal Dispute Resolution Procedure (IDRP). The IDRP consists of two formal stages; Stage 1 is dealt with by an independent appointed person, and if the complainant is not satisfied with the appointed person's decision, the matter proceeds to Stage 2 of the process which is dealt with by the Scottish Ministers.

The table below is an analysis of those complaints received during 2025/26. There were 16 complaints made during the year. Five complaints were not within the Fund's scope to remedy.

Complaint Analysis	Number of Complaints
Processing Delay	7
Processing Error	2
Decision Making Appeal	2
No NESPF Power to Remedy	5
Total Complaints	**16**

Complaints may not always entirely relate to a NESPF decision or process, for example it may relate to an employer decision, e.g. ill health retirement. In these instances, the complainant may take their complaint directly to the Pensions Ombudsman.

There were two cases in 2025/26, one of which related to a complaint made initially in 2024/25, that proceeded through the IDRP process then went on to the Scottish Ministers.

The full complaints procedure and IDRP process is on our website: **https://www.nespf.org.uk/about/complaints**



6. Financial Performance

2025/26 at a Glance

£6,656m



Net Assets of the Fund at the End of the Year

£407m



Investment Return

£24m



Management Expenses

Key Statistics

34



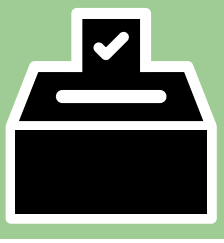
Total Number of Employers

78,646*



Total Membership

1,528



Votes at AGMS

57.19%*



Members Registered for My Pension+

42.9



Staff Employed (FTE)

1,820



Members to Staff Ratio

* *Total membership is based on membership records as a member can have more than one record. Equivalent number in terms of member headcount is 64,069. This figure is used for the percentage of members registered for My Pension+*

North East Scotland Pension Fund Financial Summary

From the year 2022/23, the following tables are the merged figures for the NESPF and ACCTF.

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Contributions Less Benefits and Expenses paid **Net Additions/ (Withdrawals)**	(33,048)	(34,257)	(78,570)	(129,501)	(102,401)
Net Investment Income Change in Market Value **Net Return on Investment**	181,752	(342,832)	532,616	231,435	407,426
Transfer In of ACCTF at Market Value	0	290,035	0	0	0
Revaluation of Insurance Buy In Contract	0	(35,062)	(20,924)	5,699	6,588
Net Increase/ (Decrease) in Fund	148,704	(122,116)	433,122	107,633	311,613
Fund Balance as at 31 March (Market Value)	5,925,893	5,803,777	6,236,899	6,344,532	6,656,145

The monies belonging to the North East Scotland Pension Fund are managed entirely by appointed fund managers and are held separately from any of the employing bodies which participate in the Fund. The only exception to this is a small investment in Aberdeen City Council's Loan Fund, which varies year on year and represents surplus cash from contributions not yet transferred to the fund managers.

After meeting the cost of current benefits, all surplus cash is invested and the value of investments is then available to meet future liabilities.

Membership Statistics

NESPF	2021/22	2022/23	2023/24	2024/25	2025/26
Active	26,961	27,751	27,708	26,828	26,514
Pensioners	23,854	26,146	27,171	28,183	29,304
Deferred	18,150	19,379	19,246	20,002	18,872
Frozen Leavers	3,111	3,602	3,740	3,978	3,956
Total	**72,076**	**76,878**	**77,865**	**78,991**	**78,646**

Active membership appears to have reduced from 2024/25 to 2025/26 and may reflect the continuing budgetary pressure faced by the Local Authorities as, in previous years, there has consistently been an increase to the active membership totals. The number of deferred members has decreased indicating that members accessing their pensions and transferring their benefits has increased. Pensioner numbers have increased in line with previous years despite the early retirement exercises currently being undertaken by Local Authorities. Frozen leavers represent the members who have left the Scheme and have yet to claim their entitlement to a contributions refund or a transfer of their entitlement.



Management Expenses

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Administration	2,388	2,958	3,113	3,207	3,446
Oversight and Governance	615	743	872	722	1,377
Investment Management	23,901	17,767	22,039	20,926	18,941
Total Management Expenses	**26,904**	**21,468**	**26,024**	**24,855**	**23,764**

Unit Cost Per Member

	2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Administrative Unit Cost per Member	33.13	38.48	39.98	40.60	43.82
Oversight and Governance Unit Cost per Member	8.53	9.66	11.20	9.14	17.50
Investment Management Unit Cost per Member	331.61	231.11	283.03	264.92	240.84
Total Cost per Member	**373.27**	**279.25**	**334.21**	**314.66**	**302.16**

Remuneration Report

There is no need to produce a remuneration report as the Fund does not directly employ any staff. All staff are employed by Aberdeen City Council and their costs reimbursed by the Pension Fund. The councillors who are members of the Pensions Committee and the Pension Board are also remunerated by the Council.

Note 22 to the Accounts details the Key Management Personnel. Councillor and senior employee remuneration is detailed within the Remuneration Report of Aberdeen City Council's Financial Statements.

7. Economic and Market Background

US Equities

U.S. equity markets delivered strong overall gains over the last year despite a volatile path, with the Standard & Poor's 500 rising 17.8%, the Nasdaq Composite advancing 25.6%, and the Dow Jones Industrial Average gaining 12.2%. The year began with a sharp rebound in Q2 2025 following Liberation Day tariff related disruptions, followed by continued strength in Q3 supported by Artificial Intelligence (AI) driven momentum and the start of Federal Reserve easing. Markets remained constructive in Q4, with more moderate gains as inflation eased and the labour market softened, while investors focused on earnings resilience and policy developments.

Market leadership was concentrated in large cap growth stocks, particularly within technology and communication services, supported by strong earnings and sustained investment in AI. However, sentiment shifted in Q1 2026 as equities experienced their weakest quarter since 2022, driven by geopolitical tensions, rising oil prices, a sell off in software stocks, and increasing concerns around economic growth and private credit markets. Sector performance diverged over the period, with energy outperforming later as oil prices rose, while defensive sectors such as utilities and consumer staples showed relative resilience during periods of market stress. Monetary policy remained a key driver, with the Federal Reserve (the Fed) transitioning from a more accommodative stance and rate cuts in late 2025 to a more cautious pause in early 2026 as inflation progress proved uneven. Overall, while growth and AI related themes dominated much of the year, rising volatility and macro uncertainty in recent weeks prompted a rotation toward higher quality and more defensive exposures.

UK Equities

UK equities delivered a strong but uneven performance in 2025, with the FTSE All Share rising 24% over the year, despite a challenging domestic backdrop. Political transition, tight fiscal constraints and intermittent gilt market volatility kept investor sentiment cautious, particularly towards domestically exposed areas. Nonetheless, the market benefited from low starting valuations, a high proportion of internationally generated earnings and sustained Mergers and Acquisitions activity, underpinned by continued foreign interest in UK assets trading at a discount to global peers.

Returns were highly concentrated. Banks and Aerospace & Defence together accounted for roughly half of total index returns, benefiting from higher for longer rate expectations earlier in the year and a sustained uplift in defence spending amid heightened geopolitical tensions. Healthcare was another meaningful contributor, supported by earnings durability and global revenue exposure. At the stock level, leadership was similarly narrow, with a small number of names - most notably HSBC, AstraZeneca and Rolls Royce - driving a disproportionate share of index performance. As a result, broader market participation remained limited, underscoring that the UK's strong headline return in 2025 was driven by a narrow set of sectors and stocks rather than broad based strength.

European Equities

European equity markets delivered a strong overall performance over the past 12 months, with the MSCI Europe rising +11.7% in EUR. This follows an exceptionally strong 2025, where the index gained +19.4%, although the underlying market environment proved more challenging than headline returns suggested.

In 2025, performance was driven by a narrow set of sectors, with almost 70% of returns coming from just five sub-industries: banks, insurance, aerospace and defence, semiconductors, and utilities. The year was also marked by a sharp style rotation, with value significantly outperforming growth by 22%, largely driven by multiple expansion rather than earnings upgrades. At the same time, markets experienced unusually high share price volatility around earnings, despite relatively muted changes in underlying fundamentals.

Despite these challenges, the year saw renewed investor interest in Europe, supported by increased fiscal spending—particularly in defence and infrastructure—and improving macro indicators such as employment and loan growth. However, uncertainty around tariffs, interest rates and geopolitics weighed on sentiment, leading to earnings downgrades in more cyclical areas.

The start of 2026 has been more volatile. Markets performed strongly in the first two months but corrected sharply in March, leaving the Morgan Stanley Capital International (MSCI) Europe lower over the quarter. Early strength was supported by resilient economic data and continued enthusiasm for structural themes such as AI investment and electrification. However, sentiment deteriorated as geopolitical tensions escalated, particularly following developments in Iran, which drove oil prices higher and renewed concerns around inflation and growth. As a result, markets became more driven by macro factors, with defensive and energy related sectors outperforming, while more cyclical areas came under pressure.

Looking ahead, uncertainty remains elevated, particularly around energy prices and geopolitical developments. Nonetheless, a stable macro backdrop and continued investment in structural growth themes provide a supportive foundation for European equities over the medium term.

Emerging Markets Equities

Emerging markets equities had a strong 12 month period, with the MSCI Emerging Markets rising 29.6% (USD terms) and outperforming Developed Markets (+18.9%). Returns were supported by easing financial conditions in parts of the universe and U.S. dollar weakness, with performance driven primarily by North Asia. The AI led semiconductor cycle proved a key tailwind, particularly for Taiwan and Korea, where strong demand for high bandwidth memory and related AI components supported earnings momentum. Latin America also added to returns as firmer commodity prices and a weaker dollar supported regional currencies and resource heavy equity markets like Peru and Colombia.

Among the larger index weights, China and India lagged. China delivered mixed returns, with solid export performance and progress in domestic AI supporting parts of the technology and manufacturing sectors, but weak domestic demand and the ongoing property overhang continued to weigh on the market. India was the worst performing market (-13.4%), as elevated valuations came under pressure amid foreign investor outflows. Sentiment softened towards the end of the period as geopolitical tensions increased following the war, leading to a more cautious investor backdrop.

Japanese Equities

Japanese equities performed strongly over the period, with the Tokyo Stock Price Index up 26.6% (in USD). Performance was driven in large part by the so called "Takaichi trade", as markets responded positively to expectations of a more pro-growth policy mix, including fiscal stimulus, strategic investment, and a measured approach to monetary normalisation. This benefited exporters and policy sensitive areas such as semiconductors, technology, industrial/ engineering and defence related stocks, while yen weakness and renewed overseas investor interest added to positive sentiment.

The market also benefited from a number of structural tailwinds, including rising wage growth, ongoing corporate governance reform and sustained pressure on companies to enhance capital efficiency and shareholder returns. While concerns around fiscal sustainability, higher bond yields, energy prices and potential Bank of Japan (BoJ) policy tightening led to increased volatility towards the end of the period, the combination of the Takaichi narrative and Japan's broader reform story supported the strong equity performance over the year.

Bonds

Q2 2025 was marked by significant volatility in global bond markets. April brought significant turbulence across global financial markets, as the US administration's abrupt escalation of trade tariffs and the resulting retaliatory measures sharply intensified economic and geopolitical uncertainty. US and European credit spreads widened, pricing in recession risks, while bond yields fell as investors rotated capital away from risk assets. In the US, inflation data showed the Consumer Price Index (CPI) rising 2.5% year on year (YoY), slightly below expectations, while in Europe headline inflation remained steady at 2.2% YoY, in line with forecasts. Market sentiment improved in May, driven in part by resilient economic data and easing US-China trade tensions, fuelling a rally in risk assets, although US treasuries came under pressure amid rising concerns over fiscal sustainability, culminating in a Moody's credit rating downgrade and a broader global sell off in long end bonds. In June, there was a notable escalation in geopolitical tensions as airstrikes were launched on Iranian facilities, triggering a spike in oil prices and raising fears of a broader regional conflict. However, these concerns were relatively short lived as a ceasefire was soon announced between Iran and Israel, which eased markets and helped fuel a rally in risk assets, leading to tighter credit spreads. The European Central Bank (ECB) delivered a widely expected 25 basis point (bps) rate cut, lowering the policy rate to 2.00%.

Q3 2025 saw sentiment generally improve, supported by greater policy clarity and easing expectations for monetary policy, although rates markets remained under pressure at times. In July, announcements from the Trump Administration regarding trade agreements and the enactment of the "Big Beautiful Bill Act" added clarity to the future policy backdrop, helping to drive a rally in risk assets and tightening credit spreads, while the Fed left interest rates unchanged at 4.25-4.50%. In August, markets experienced a mixed environment, with developed market government bonds showing mixed performance and credit spreads generally widening, despite a dovish pivot by Fed Chair Powell at Jackson Hole and increasing confidence that the Fed would deliver a rate cut at its next meeting in September. In September, global bond market sentiment was broadly positive, supported somewhat by the Federal Reserve's decision to lower the Fed Funds rate for the first time in 9 months. The labour market showed further signs of softening in the US, while Q2 Gross Domestic Product (GDP) was revised higher to 3.8%. In the Eurozone, the ECB kept rates on hold at 2% and signalled no change to its outlook, while in the UK the Bank of England (BoE) left rates unchanged at 4.00% and slowed the pace of quantitative tightening.

In Japan, final Q2 GDP was revised up to 2.2% quarter-on-quarter, led by stronger consumption, while the policy backdrop remained unchanged, with the BoJ's benchmark rate remaining at 0.50%.

Q4 2025 was characterised by a generally constructive tone in credit markets, although government bond yields remained sensitive to central bank guidance, inflation releases and fiscal developments. October sentiment was positive, supported by the US-China trade truce, corporate earnings results, and economic data, despite the Federal Reserve's hawkishness towards the end of the month. The Fed cut rates by 25 bps at the October Federal Open Market Committee (FOMC) meeting, bringing the target range to 3.75-4.00%, while the ECB held rates at 2% and reaffirmed its data-dependent approach. In November, risk assets were generally under pressure at the beginning of the month, however sentiment improved during the remainder of the month, driven in part by rising expectations of a Federal Reserve rate cut in December. In Europe, headline inflation remained in line with expectations at 2.1% YoY, while the Monetary Policy Committee (MPC) kept the Bank Rate at 4.00%, as expected. In December, global bond market sentiment was mixed, with credit spreads tightening while developed market government bond yields moved mostly higher over the month. The FOMC cut the federal funds rate by 25 bps to 3.50-3.75%, while the ECB kept rates unchanged at 2%, striking a mildly hawkish tone after upgrading its 2026-27 growth and inflation forecasts. The BoE also cut the Bank Rate by 25bps to 3.75%, while the BoJ raised policy rates by 25bps to 0.75%.

Q1 2026 started on a relatively stable footing, though market conditions became more volatile as geopolitical developments intensified toward quarter-end. In January, global developed market bond returns were fairly muted, although in the US the Fed kept policy rates unchanged at 3.50-3.75% and Chair Powell signalled that the Fed could stay on hold for some time. In Europe, labour markets remained tight and activity indicators were incrementally firmer, while in the UK inflation came in higher than expected at 3.4% YoY. February was more supportive for fixed income, with global bond markets generally experiencing positive returns, supported in part by favourable economic data. In the US, headline CPI came in slightly below expectations at 2.4% YoY, while in Europe headline inflation remained steady at 1.7% YoY. Japan Prime Minister Takaichi won a landslide election victory, securing a supermajority.

March then saw a clear deterioration in sentiment, as global bond markets posted negative returns, with developed market government and corporate bonds both under pressure following the escalation of military tensions in the Middle East. In the US, the Federal Reserve held rates at 3.75% as expected, with Chair Powell highlighting elevated uncertainty related to the war in the Middle East. In the euro area, the ECB held rates at 2.0% also as expected, while in the UK the BoE left Bank Rate unchanged at 3.75%.

UK Property

Expectations for 2026 have moderated meaningfully in recent months, reflecting a more uncertain geopolitical backdrop. That said, the underlying UK real estate investment thesis remains intact. Emphasis needs to remain on looking through near term volatility and focusing on durable, resilient income generation.

The outlook for rates has become increasingly uncertain. Entering 2026, markets anticipated continued monetary easing, with expectations for multiple rate cuts over the year. However, the recent shift in inflation expectations has caused uncertainty surrounding the trajectory of interest rates. Prior to the ceasefire, expectations had briefly shifted toward further rate hikes, highlighting how sensitive the rates outlook is to energy prices and broader geopolitical developments. The Bank of England's stance to date is broadly aligned with guidance from the International Monetary Fund, which has cautioned policymakers against tightening policy prematurely in response to what may prove to be a one-off energy shock, rather than waiting to assess how these pressures feed through to the wider economy.

In an increasingly fractured global regime where geopolitical tensions are reshaping the global economy, investors are likely to favour such markets, with the UK standing out due to its mature legal and regulatory framework, strong investor protections, and deep, liquid real estate market. While near term occupier sentiment may soften and pricing transparency may be impacted by higher bond yields, the medium-term investment case remains intact.

Importantly, the asset class has already undergone a significant repricing. UK values remain 20% below peak pricing in June 2022, suggesting that a substantial degree of risk is still reflected in valuations. At the same time, real estate continues to offer attractive inflation protection characteristics, which are increasingly relevant in a structurally higher inflation environment.

Construction activity has also remained relatively subdued in recent years, limiting the risk of structural oversupply and supporting underlying fundamentals. Focusing on sectors supported by long term structural trends, rather than purely cyclical drivers, should help underpin income resilience and performance through periods of volatility. As such, investors should look beyond short-term dislocation and focus on opportunities to deploy capital into assets with durable cash flows and clear potential for alpha generation.

Lower business sentiment is likely to weigh on the office sector in the near term. Transactions totalled £1.9 billion in the first quarter, down 36% compared with the same period last year. Over the longer term, investor appetite has softened amid structural headwinds, including the shift to hybrid working and the potential impact of AI on office-based employment.

However, evidence continues to point to a gradual recovery, with underlying demand for high-quality space remaining resilient. Strong prime rental performance further highlights continued occupier demand for best-in-class assets. While near-term macroeconomic uncertainty is likely to pressure the sector, given its cyclical nature, the slowdown in construction activity should tighten supply further. As conditions normalise, this supply constraint is expected to amplify demand for high-quality space and support solid rental growth in prime assets. As a result, investors should remain selective, focusing on best-in-class assets in supply-constrained locations that can deliver resilient income.

Logistics remains well positioned to benefit from long term structural tailwinds. Volumes reached £1.2 billion in Q1, down 65% on the same period last year reflecting cyclical headwinds rather than any deterioration in fundamentals. Occupier demand remains healthy, although activity is more measured as weaker economic growth limits expansion and encourages portfolio consolidation. At the same time, the development pipeline has contracted and is expected to decline further through 2026. While some backfill vacancy may emerge as occupiers rationalise space, the overall supply backdrop remains constrained. Looking ahead, structural drivers such as the reshoring of supply chains and increased defence related investment, partly driven by geopolitical tensions, are expected to support demand. Against this backdrop of limited new supply, well-located, high-quality assets should continue to benefit from resilient rental growth over the medium term.

The residential sector is expected to remain attractive given it's able to deliver stable, inflation linked cash flows. Transaction volumes reached £2.2 billion in Q1, down 9% compared with the same period last year, making it the sector that most closely matched prior volumes and highlighting the resilience of investor demand. The residential sector remains well positioned in periods of volatility, offering defensive characteristics. Shorter lease structures enable rents to be reset more frequently, allowing landlords to capture inflation effectively. Moreover, the UK continues to face a structural undersupply of housing, which supports rental growth and occupancy, reinforcing the sector's role within diversified portfolios.

We continue to observe a structural repositioning of the retail sector. Transaction volumes reached £800 million in first the quarter of the year, down 76% on the same period last year. We retain a preference for retail warehouses backed by strong tenant covenants, along with shopping centres anchored by grocery operators, where essential spending helps sustain both income and footfall.

Although e-commerce continues to reshape the sector, most retail transactions in the UK still take place in-store, supporting the rationale for ongoing exposure to the right asset types in strong locations.

This backdrop reinforces the importance of sectors supported by structural drivers rather than cyclical economic forces. Ongoing uncertainty in the Middle East, combined with the rapid shift in the macroeconomic environment, further highlights the appeal of resilient, anti-fragile sectors where demand is underpinned by long-term trends. Segments such as student housing, healthcare, life sciences, data centres, and co-living are increasingly central to portfolio construction. Looking ahead, we expect institutional appetite for alternative assets to remain strong, supported by solid occupier demand and the visibility of long-term income streams.

Market Returns	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)
Equities:			
FTSE All Share Index	21.5	13.3	11.1
FTSE All World Index	17.5	14.1	10.5
FTSE All World ex UK Index	17.3	14.1	10.4
FTSE North American Index	15.3	15.5	12.2
FTSE European (ex UK) Index	15.6	10.4	8.4
FTSE Japan Index	23.7	13.2	7.5
FTSE Developed Asia (ex Japan) Index	47.2	13.1	7.3
FTSE Emerging Markets Index	17.4	10.9	4.7
Bonds:			
ICE BofA UK Gilts All Stocks Index	2.6	0.4	-4.3
ICE BofA Sterling Non Gilts Index	4.3	4.3	-0.7
FTSE Actuaries UK Index Linked Gilts All Stocks Index	4.1	-3.1	-6.9

Source FTSE Russell & ICE Data Services, 31 March 2026, GBP

8. NESPF Investment Strategy

The Fund's Investment Strategy is one of diversified investment. This means that investments are spread across different investment asset types and different countries, sectors and companies in order to reduce the overall risk.

There are a range of Fund Managers employed to again spread risk, with different style biases, each with clear and documented agreements in place detailing their investment mandates. In addition, the Fund employ an independent Global Custodian.

The objective of the Investment Strategy is to deliver long term returns which are greater than the growth in expenditure to be paid out in pensions. The Investment Strategy is monitored on an ongoing basis by the Pensions Committee and Pension Board, focusing on long term investment with consideration given to short term tactical considerations if appropriate. The suitability of particular investments and types of investments are detailed in the Statement of Investment Principles. The Fund takes proper advice at reasonable intervals regarding their investments through their appointed advisors.

Asset Structure 2025/26

Asset Class	Distribution as at 31 March 2025		Distribution as at 31 March 2026	
	Fund Actual %	Fund Benchmark %	Fund Actual %	Fund Benchmark %
Equities (including Alternative Assets)	57.2	55.0	58.3	55.0
Bonds / Credit	20.8	22.5	21.2	22.5
Property / Infrastructure	15.5	20.0	15.5	20.0
Cash / Other	6.5	2.5	5.0	2.5
Total	**100.0**	**100.0**	**100.0**	**100.0**

NESPF has continued to increase in value with assets being rebalanced in line with our Investment Strategy where appropriate. Given the market volatility influenced by geopolitics and the higher interest rate environment, holding a slightly higher cash balance has been preferable and NESPF has future investment commitments that will drawdown in due course to aid rebalancing in line with investment strategy.

The current Investment Strategy for the North East Scotland Pension Fund is set out in the Statement of Investment Principles as follows:

Equities	**50.0%**	**(range +/- 5%)**
Alternative Assets (including private equity)	**5.0%**	**(range +/- 5%)**
Bonds / Credit	**22.5%**	**(range +/- 5%)**
Property / Infrastructure	**20.0%**	**(range +/- 5%)**
Cash / Other	**2.5%**	**(range +/- 5%)**

North East Scotland Pension Fund Performance

Investment returns continue to be positive over the last year, with the Fund returning 6.3% amidst a backdrop of economic and geopolitical uncertainty, and the changing outlook on interest rates. While the year's performance is below benchmark it is still exceeding inflation and the required performance to maintain the Fund's funding position. Performance trails benchmark for predominantly a couple of reasons. One, active Equity managers have produced lower returns in more recent times lagging their respective benchmarks due to the composite of the equity benchmarks/indices being driven by a small number of large companies that the Fund had not held during the reporting period, as long term investors.

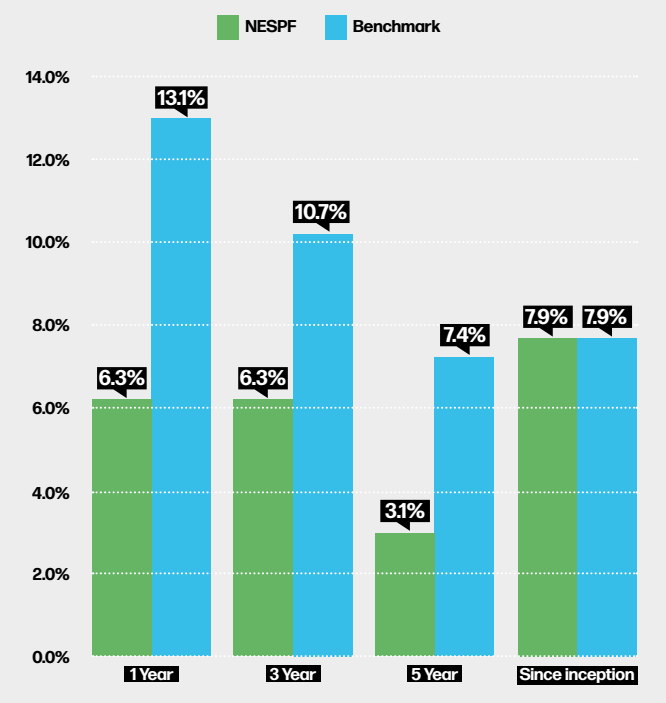
Two, the Fund as a whole composition benchmark has a high number of mandates benchmarked on a Cash +4.5% for example, which creates an inflated benchmark due to higher interest rates not related to how the underlying assets perform in any given environment. It should be noted that this is just a snapshot in time and in the longer run these anomalies will smooth themselves out.

The Fund monitors and meets with all its Fund/Asset Manager partners on at least a quarterly basis to discuss performance and address any changes that are deemed to be required in addition to attending annual general meetings and advisory boards.

Importantly NESPF's Assets Under Management (AUM) continues to increase, the fund level continues to improve, and performance returns remain comfortably ahead of both the CPI and Average Earnings.

The graph, right, shows the NESPF's performance over the short, medium and long term against the Fund's customised benchmark.

Whilst employee contribution rates and benefits payable are set by statute, the long term liabilities of the NESPF are linked either to wage inflation or to price inflation. It is the NESPF's performance against these benchmarks that affect the long term employer contribution rate, which is variable. Over the longer term, the performance of the NESPF remains ahead of both Average Earnings and CPI.



Year Ending	2023 /24 %	2024 /25 %	2025 /26 %	Since Inception Annualised %
CPI*	3.2	2.6	3.3	2.8
Average Earning*	5.7	5.5	4.1	3.5
NESPF Return	9.5	2.9	6.3	7.9

*Source: Office of National Statistics

Investment Management Structure

Details of the Investment Management Structure is in the "Investments Analysed by Fund Manager" Note to the Accounts (Note 13).

9. Risk

A key element to risk management is the structured delegation of powers from the Council to the Pensions Committee and then to Senior Officers. To complement the delegation to Senior Managers, there is extensive and detailed accountability back to Committee on how these delegations have been exercised. Full details of the structure of delegated powers are contained in the Pension Fund's Governance Statement.

Investment Risk is recognised as falling into two distinct areas: Manager Skill (alpha) and Market Risk (beta). The structure of the Investment Strategy reflects this and is designed with the support of external expert advice. Details are contained in the Statement of Investment Principles and the Funding Strategy Statement.

The operational management of investment risk forms the basis of quarterly reporting to the Pensions Committee and Pension Board. The Fund's approach to risk is dynamic and can be revised in response to short term market events.

Benefit Risk is also recognised as falling into two distinct areas: Operational Risk (regulation compliance and staffing) and Information Technology (IT) risks. The risks associated with the operational payment of benefits and recording of pensioner records produces a complex set of risks. These are mitigated with the use of a dedicated pension administration system that is thoroughly and regularly tested, combined with the hierarchical checking of output by pension staff. IT risk is mitigated by using an externally hosted benefit administration system subject to regular update and review.

It is recognised that all services are very dependent upon third party contracts ranging from IT through to investment managers. All are subject to regular review and monitoring.

Risk Management

Risk management is an ongoing process with quarterly reporting provided to the Pensions Committee and can be found within the Committee packs. These reports detail the progress achieved in the implementation of the action plan, the ongoing review of the Risk Register and reporting of new risks that have been identified. It is also key that the Fund has its own dedicated Risk Management Policy which forms part of the Risk Management Framework along with the Risk Register.



10. Funding Strategy Statement

The long term objective of the Fund is to achieve and maintain sufficient assets to pay all pension benefits as they fall due. The Funding Strategy Statement (FSS) addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time facilitating scrutiny and accountability through improved transparency and disclosure.

The purpose of the FSS is therefore:

- **To establish a clear and transparent Fund specific strategy which will identify how employers' pension liabilities are best met going forward by taking a prudent longer term view of funding those liabilities.**
- **To establish contributions at a level to "secure the solvency" of the Pension Fund and the "long term cost efficiency".**
- **To have regards to the desirability of maintaining, as much as possible, a constant primary contribution rate.**

The FSS is required as part of Regulation 56 of the Local Government Pension Scheme (Scotland) Regulations 2018. As part of the 2023 actuarial valuation, the FSS for the North East Scotland Pension Fund was reviewed, with employers consulted on the revised version. The document was revised again in 2025 as a result of amended regulations being laid in relation to the exit regime for LGPS (Scotland) and its participating employers. A further consultation took place in July 2025 with the finalised document being approved by the Pensions Committee.

Further to the Funding Strategy Statement, the Fund has been fully funded for a number of triennial actuarial valuations, which has provided the opportunity to deliver reductions in contributions rates for the Fund's employers.

While employee contributions rates are set by central government, the Fund through the actuarial valuation will assess each employer's funding position to set contributions rates for the following three years.

The Fund has delivered reductions to employers through the last two valuations, the most recent valuation in 2023 provided significant reductions due to the funding position of not only the Fund as a whole but also to the individual employer's funding position. The results of the next triennial valuation as at 31 March 2026 will determine the employer contribution rates for the three years from 1 April 2027.

While the reduction in contributions that the Fund receives delivers a negative cashflow and in conjunction with a maturing membership, the position as stated in the financial statements within this annual report and accounts is very much a positive position for all employers and the Fund.

To address the negative cashflow the Fund has options, as part of its investment strategy the Fund has invested in assets that are income generating through varying asset classes that include, property, bonds, direct lending and infrastructure. Those income streams will support the negative cashflow position which is monitored on an ongoing basis to deliver pensions and manage risk.



11. Statement of Investment Principles

This statement sets out the principles governing decisions about investments for the North East Scotland Pension Fund. All investment decisions are governed by the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2016. The Fund objective is to meet benefit liabilities as they fall due at a reasonable cost to participating employers, given that employee contributions are fixed. "Reasonable" in this context refers to both the absolute level of contribution – normally expressed as a percentage of pensionable payroll – and its predictability. The employer contribution rates are impacted by both the assessed level of funding (ratio of the value of assets to liabilities) and the assumptions underlying the actuarial valuation.

The NESPF target is to maintain a 100% funding level. 'Growth' assets, such as equities, are expected to give a higher long term return than 'liability matching' assets, such as bonds. The benefit of higher investment returns is that, over the long term, a higher level of funding should achieve lower employer contribution rates. However, the additional investment returns from growth assets come with a price: greater volatility relative to the liabilities, thus introducing risk. The risk is evidenced by the potential volatility of both the funding level and the employer contribution rate. There is therefore a trade off between the additional investment return from greater exposure to growth assets and its benefits – higher funding level, lower employer contribution level – and the benefits of greater predictability – of both funding level and employer contribution rate – from having greater exposure to liability matching assets.

The trade off and its consequences on both funding level and employer contribution level, were examined by the Pensions Committee and led to the strategic benchmarks.

The full statement is available at **www.nespf.org.uk/about/policies-and-statements/**

12. Environmental, Social and Governance Issues

Responsible Investment & Engagement

As a long term investor the Fund has a duty to engage with the companies we invest in on Environmental, Social and Governance (ESG) issues, and to work with others to effect change.

What does this look like in practice?

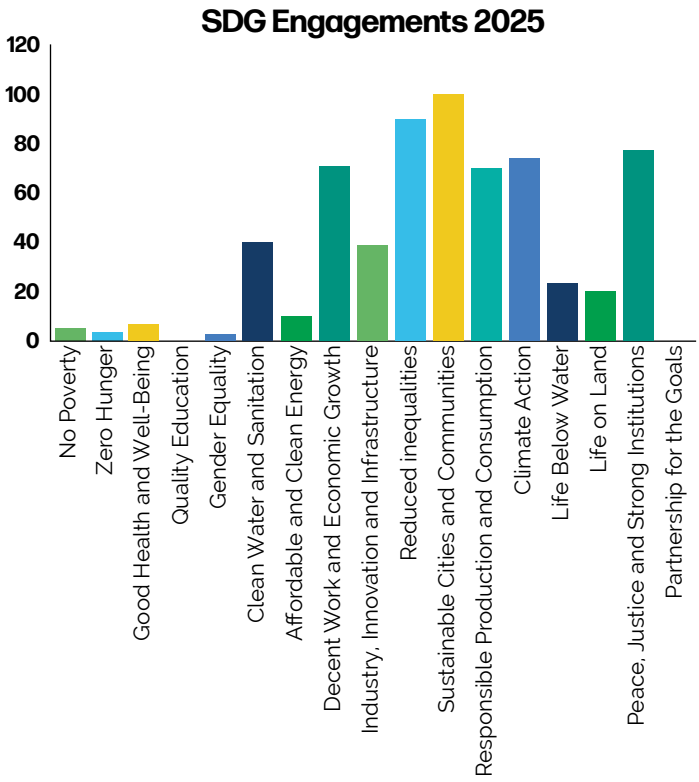
There are several things that we as an investor can do to make changes for the better.

Collaboration

There are limits to what we can achieve as individual investors, and we believe greater progress can be made through collaboration with other investors. Our primary collaboration is with the Local Authority Pension Fund Forum (LAPFF). Additionally, we regularly engage with our Fund Managers.

LAPFF exists to promote the long term investment interests of its member funds and beneficiaries and to maximise their influence as shareholders while promoting the highest standards of corporate governance and corporate responsibility at investee companies. Established in 1990, LAPFF unites a diverse range of 87 Local Authority Pension Funds and seven pools in the UK with combined assets of over £350 billion. The Forum offers a distinctive platform for Britain's local authority pension funds to engage in discussions on shareholder engagement and investment matters.

The following graph illustrates the engagements carried out by LAPFF in relation to the Sustainable Development Goals (SDGs). The 17 SDGs are interconnected, acknowledging that actions in one area can influence outcomes in others, and emphasising that development must harmonise social, economic, and environmental sustainability.



Examples of the engagement work undertaken by LAPFF are noted below:

Conflict-affected and high-risk areas (CAHRAs)

Context – LAPFF aims to drive improved corporate practices in CAHRAs, recognising these contexts pose acute human rights, legal, and reputational risks for companies and investors. LAPFF seeks to engage companies to encourage heightened human rights due diligence (hHRDD), informed by the UN Guiding Principles on Business and Human Rights, and additional pieces of guidance related to best practice in CAHRAs. The Forum also seeks greater transparency on how companies make decisions about operating in these areas.

Activities – LAPFF reached out to Volvo and Microsoft in relation to their business activities being noted as contributing to conflict dynamics in the occupied Palestinian territories (OPT). Volvo outlined its global dealer due diligence process, contractual human rights requirements, and updated risk assessments completed in 2024. Volvo confirmed it has no direct operations in Israel but does have an independent dealer. LAPFF discussed the company's approach around legal and operational complexities of managing product use in CAHRAs. LAPFF encouraged the company to consider a more formal conflict analysis framework that considers its entire portfolio.

Microsoft - two shareholder proposals were filed ahead of its December Annual General Meeting (AGM) relating to human rights. Resolution 8, 'Report on Data Operations in Human Rights Hotspots', requested that the company asses the human rights implications of locating cloud data centres in countries of significant concern and outlining strategies to mitigate related risks. Resolution 9 'Report on Human Rights Due Diligence', requested that the company assess the effectiveness of its human rights due diligence processes in preventing and identifying misuse of its AI that could contribute to human rights violations or breaches of international humanitarian law. LAPFF issued a voting alert to its members, recommending a vote in favour of both resolutions 8 & 9.

Outcomes – LAPFF continues to focus on CAHRAs and intends to write to more companies in the first half of 2026 requesting further detail on the approach to managing human rights risks in the context of CAHRAs. LAPFF will also be following up, seeking an engagement meeting with Microsoft, alongside providing tailored recommendations to Volvo and Chevron regarding LAPFF's expectations on CAHRAs.

Climate

Context – LAPFF engaged with TSMC, the world's largest semiconductor manufacturer and one of its most widely held companies, to assess its climate strategy and renewable energy commitments. As a cornerstone of Taiwan's economy and a key player in global technology supply chains, TSMC's energy transition efforts are critical to both national and international decarbonisation goals.

Activities – TSMC reaffirmed its commitment to source 60% of its energy from renewables by 2030 and 100% by 2040 across global operations. The company has become a major driver of renewable energy market development in Taiwan and has raised its Scope 3 supplier emissions reduction target to 50% by 2030. Fifty key suppliers are now aligned with RE100 or RE85 standards, reflecting significant progress in supply chain decarbonisation.

Outcomes – LAPFF continues to engage TSMC on grid reliability, intermittency risks, and supplier transparency. While the company has made strides in governance and ESG accountability, further disclosure is needed on ESG-linked compensation and board-level ownership of sustainability targets. LAPFF sees potential for deeper engagement to ensure robust implementation and reporting. The above are just a couple of examples of engagement carried out by LAPFF, more in-depth information can be found at **http://www.lapfforum.org**

Fund Managers

Through our fund managers we can engage with companies more directly by raising concerns and meeting with Senior Management and Executives. Fund managers report their engagements on a quarterly basis so we can monitor engagement activity. The below is one example of such activity being undertaken through one of our Fund Managers.

SYD & Taronga Conservation Society Partnership

Through one of our Infrastructure portfolios, the Fund has an asset within Sydney Airport ("SYD"), Australia's largest airport by passengers and key international gateway.

Sydney Airport (SYD) announced on 10 December 2025 a partnership with Taronga Conservation Society Australia to support a large-scale habitat restoration project in North-West New South Wales (NSW). The project forms part of Taronga's 'Habitat Positive' initiative, focused on landscape-scale biodiversity restoration.

The project covers a 3,050-ha site on the NSW Northwest Slopes and is one of Australia's largest Box-Gum Woodland restoration initiatives. Aiming to plant up to one million native seedlings on the site, creating habitat for up to 36 threatened species. The site has been selected for long-term climate resilience, with relatively low projected changes in rainfall and temperature.

SYD is investing alongside NSW Government funding to support long-term project delivery. The partnership compliments SYD's Net Zero by 2030 (Scope 1 & 2) commitment by supporting landscape-scale biodiversity restoration and climate resilience outcomes. The program aims to incorporate First Nations partnerships and local community engagement as part of site planning and restoration.

Other ways the Pension Funds collaborate are by being members/signatories of the following ESG initiatives:

- **Climate Action 100+**
- **Carbon Disclosure Project - CDP**
- **Bangladesh Accord on Fire and Building Safety (the Accord)**
- **International Sustainability Standards Board**
- **Global Investor Statement**
- **CDP Non-Disclosure Campaign**
- **Principles for Responsible Investment**

Further information on these initiatives can be found on our website **https://www.nespf.org.uk/about/investment/responsible-investment/**

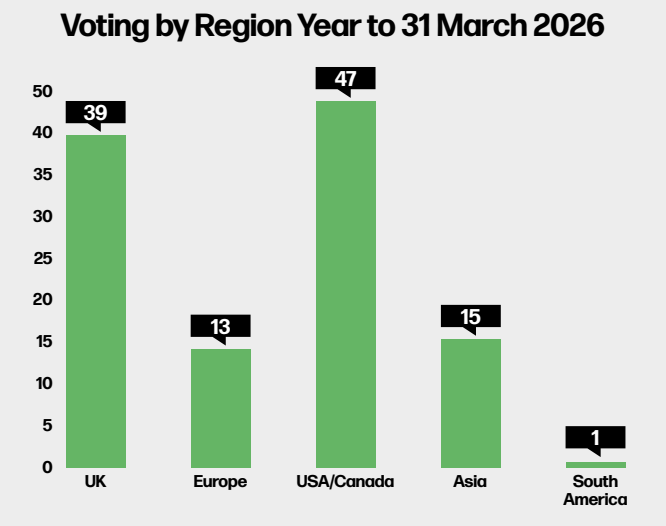
By working together, we and other investors can use our collective size to influence decision making and promote the highest standards of corporate governance and corporate responsibility.

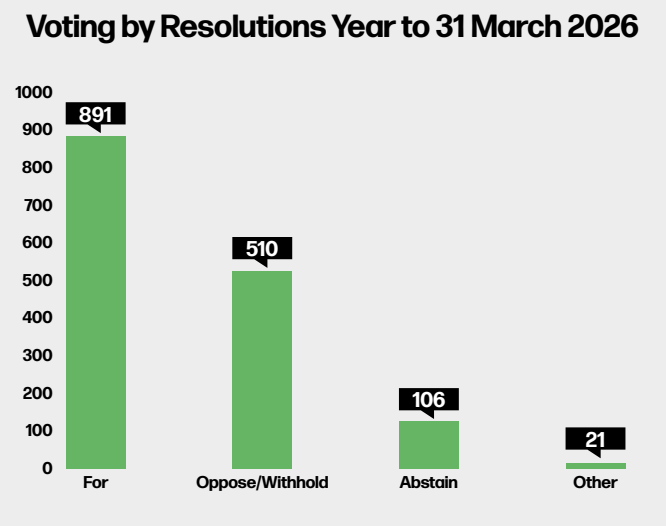
Voting

As an institutional shareholder we have a responsibility to make full use of our voting rights which enables the Funds to promote good governance practices in the companies in which we invest.

All voting on behalf of our investments, including both active and passive investments, is now conducted in-house. We have assumed responsibility for voting on our passive investments managed by State Street, with the support of PIRC. Over the last year we have voted at 115 Annual General Meetings/Special meetings on 1528 resolutions. The Fund's voting advice is provided by PIRC (Pensions & Investments Research Consultants Ltd). Additional advice is also received from the Local Authority Pension Fund Forum.

Further information on the Fund's Voting record can be found on our website **https://www.nespf.org.uk/about/investment/responsible-investment/voting/**





During the year ending 31 March 2026, the primary reasons for casting a vote against a resolution were as follows:

Directors

- Insufficient independent representation on the board.
- Inadequate Global Diversity & Inclusion efforts by the company.
- Executives who are employees should not receive additional rewards such as bonuses or Long-Term Incentive Plans for duties considered part of their job.
- The Chair cannot effectively represent two distinct corporate cultures.
- Lack of disclosed quantified targets for the performance criteria of the company's variable remuneration policy.

Share Issues/Re-purchase

- No clear justification for how this would benefit long-term shareholders.

Annual Reports

- Concerns over the company's sustainability policies and practices.



13. Acknowledgement

The production of the Annual Report and Accounts is very much a team effort involving many staff as well as information supplied by our advisors. We would like to take this opportunity to acknowledge the considerable efforts of staff in the production of the 2025/26 Annual Report and Accounts.

Andy MacDonald
Interim Chief Executive

Jonathan Belford, CPFA
Chief Officer – Finance

Councillor John Cooke
Pensions Committee Convener

On behalf of Aberdeen City Council
30 September 2026

Statement of Responsibilities

The North East Scotland Pension Fund is governed by an Administering Authority, Aberdeen City Council, and is required to:

- Make arrangements for the proper administration of their financial affairs and to secure that the proper officer of the authority has responsibility for the administration of those affairs (Section 95 of the Local Government (Scotland) Act 1973). For the North East Scotland Pension Fund, that officer is the Chief Officer - Finance for Aberdeen City Council.
- Manage their affairs 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 the legislation, in accordance with proper accounting practices (Section 12 of the Local Government in Scotland Act 2003).
- Approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Pensions Committee at its meeting on 11 September 2026.

Signed on behalf of Aberdeen City Council.

Councillor John Cooke

Councillor John Cooke

Pensions Committee Convener

30 September 2026

The Chief Officer - Finance responsibilities:

The Chief Officer - Finance is responsible for the preparation of the Pension Fund's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing the Annual Accounts, the Chief Officer - Finance has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with legislation;
- Complied with the Local Authority Accounting Code (in so far as it is compatible with legislation).

The Chief Officer - Finance has also:

- Kept adequate accounting records which are up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Financial Position:

I certify that the Annual Accounts give a true and fair view of the financial position of the North East Scotland Pension Fund at the reporting date and the transactions of the Fund for the year ended 31 March 2026.

Jonathan Belford

Jonathan Belford, CPFA

Aberdeen City Council, Chief Officer – Finance

30 September 2026



Annual Governance Statement

Scope of Responsibility

Aberdeen City Council has statutory responsibility for the administration of the Local Government Pension Scheme (LGPS) in the North East of Scotland.

As the Administering Authority for the Pension Fund, the Council is responsible for ensuring that its business, including that of the Pension Fund, is conducted in accordance with the law and proper standards, that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

In discharging this overall responsibility, the Aberdeen City Council Pensions Committee is responsible for putting in place proper arrangements for the governance of the Fund's affairs and facilitating the effective exercise of its function, including arrangements for the management of risk. In addition, the Fund also has its own dedicated Risk Management Policy which forms part of the Risk Management Framework along with the Risk Register.

The Council has approved and adopted a Local Code of Corporate Governance which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework: Delivering Good Governance in Local Government.

The Fund relies on Aberdeen City Council as Administering Authority to provide guidance on anticorruption, counter fraud and whistleblowing through their internal policies. Counter Fraud and anti corruption arrangements are in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption. The full document can be found here **https://www.cipfa.org/policy-and-guidance/reports/code-of-practice-on-managing-the-risk-of-fraud-and-corruption**

Purpose of the Governance Framework for North East Scotland Pension Fund

The governance framework comprises the systems, processes, culture and values by which the Administering Authority (including the Pension Fund) is directed and controlled. The Pension Fund complies with this framework ensuring that strategic objectives are monitored and to assess the effectiveness of services.

The North East Scotland Pension Fund is governed by the Local Government Pension Scheme (Scotland) Regulations. These include requirements for the preparation and production of several key policy documents including a Funding Strategy Statement and Statement of Investment Principles.

These documents set out the Fund's objectives together with the main risks facing the Fund and the key controls in place to mitigate those risks. The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure and can therefore only provide reasonable and not absolute assurance of effectiveness.

A governance framework has been in place at Aberdeen City Council and North East Scotland Pension Fund during 2025/26 and up to the date of approval of the Annual Report and Accounts.

The Governance Framework

The Fund relies upon the Council's internal financial controls for its financial systems and that monitoring is in place to ensure the effectiveness of those controls. Within the overall control arrangements, the system of internal control is intended to ensure that assets are safeguarded, transactions are authorised and properly recorded, and material errors or irregularities are either prevented or would be detected within a timely period.

To help provide a framework of control, the Council's governance framework includes standing orders, financial regulations, financial/administrative monitoring and procedures (including segregation of duties, management supervision and a system of delegation and accountability). In addition, the terms of reference for the Pensions Committee set out its role and delegated functions.

The systems include:

- **Managing receipt of contributions from employees and employers and payment of benefits to retired members of the Fund;**
- **Review of performance reports against forecasts, benchmarks and targets set and;**
- **Consideration of External and Internal Audit reports by the Audit, Risk and Scrutiny Committee and by the Pensions Committee**

These arrangements also include:

- **A training programme to ensure that Pensions Committee and Pension Board members develop the required level of knowledge and understanding of the LGPS;**

- **Identifying the objectives of the Fund in the Funding Strategy Statement, Statement of Investment Principles and Service Plan. Quarterly updates are presented to the Pensions Committee;**
- **Monitoring the achievement of objectives by the Pensions Committee and Senior Officers;**
- **A systematic approach to monitoring service performance by the Pensions Committee, Senior Officers and stakeholders including benchmarking of services;**
- **A clear statement of risk combined with effective risk management arrangements. A risk register is updated and regularly reported to the Pensions Committee;**
- **The Monitoring Officer reports on any non-compliance with laws and regulations of which the Pensions Committee are made aware;**
- **Operating within clearly established investment guidelines defined by the Local Government Pension Scheme Investment Regulations and the Fund's Statement of Investment Principles;**
- **Compliance with the CIPFA Principles for Investment Decision Making in the Local Government Pension Scheme and the Myners Principles on investment;**
- **Appropriate investment custody arrangements with a Global Custodian and access to the custodian's extensive internal control framework;**
- **Monitoring of appointed fund managers and third party providers ensuring compliance within their management agreements and receipt of assurances from them on the adequacy of the internal financial control systems operated by them.**

The Public Service Pensions Act 2013 introduced new regulatory requirements including the introduction of a Pension Board. The Board assist the Administering Authority in delivering a regulatory compliant Scheme and was implemented from 1 April 2015. In addition, the Scheme now reports to The Pensions Regulator under the new governance arrangements. This provides additional assurances to all stakeholders that the Scheme has the appropriate internal and external governance framework in place.

From 1 April 2016, the Pension Fund has also implemented a new structure that identified six key areas; Investment, Accounting, Administration, Systems, Employer Relationship and Governance.

Teams are in place to deliver an efficient and effective service to all stakeholders while providing succession planning and clear and accountable roles.

Review of Effectiveness

The Pension Fund has responsibility for conducting, at least annually, a review of the effectiveness of their control environment including the system of internal control.

The Pension Fund approach this with reference to the Council and its approach. This considers different layers of assurance, namely management assurance; both internally through the Council and the assurance and recommendations provided by Internal Audit, External Audit and other external scrutiny reports.

Management Assurance

As the administration of the Pension Fund is directly within the remit of the Chief Officer - Finance, assurance was sought from him in relation to the effectiveness of internal financial controls. These assurances provide the opportunity to highlight any weaknesses or areas of concern that should be taken account of. For 2025/26, no significant areas of weakness were highlighted.

In reviewing this, it has been assessed that the Council's financial management arrangements conform to the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2016). Furthermore, in relation to statutory postholders, the effectiveness of the Council's arrangements can be evidenced through the relationship that they have had throughout the year with the Council and its officers, being full members of the Corporate Management Team. In addition, the Chief Officer - Finance and the Monitoring Officer are generally in attendance to advise not only the Council at its meetings, but the Audit, Risk and Scrutiny Committee and the Pensions Committee.

The Audit, Risk and Scrutiny Committee remains responsible for ensuring the effectiveness of the Internal Audit function and considering reports prepared by the External Auditor. Further to this, the Pensions Committee has oversight of the Internal and External Audit functions in respect of the Pension Fund.

Assurance from Internal Audit

The Internal Audit function, for the Council and the Pension Fund, was under contract to Aberdeenshire Council during the financial year. Towards the end of the year, Internal Audit conducted a review of the Pension Fund's Key Administrative Processes with the outcome reported to the June 2026 Pensions Committee. No major issues or risks were reported.

The Chief Internal Auditor's annual report concluded that in his opinion the NESPF had an effective framework for Governance, Risk Management and Control.

The Full Internal Audit report is on the Fund's website: **https://www.nespf.org.uk/media/oj3nldge/public-reports-pack-19062026-1000-pensions-committee-and-pension-board.pdf**

At the Pensions Committee meeting on 20 March 2026, the 2026-29 three year Internal Audit plan was approved. These audits will focus on:

- **2026/27: Pension Fund Fraud Prevention and Detection**
- **2027/28: Pensions Investments**
- **2028/29: Pensions Governance Arrangements**

External Audit and Other External Scrutiny

The External Auditor, Audit Scotland, reports to the Pensions Committee on the year end financial audit and issues national performance audit reports.

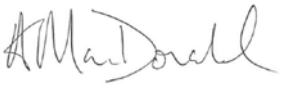
Governance Compliance Statement

The LGPS regulations require administering authorities to measure their governance arrangements against the standards set out in the guidance. Where compliance does not meet the published standard, there is a requirement for administering authorities to set out any reasons for non-compliance in their Governance Compliance Statement. We consider our current governance structure to be fully compliant with the requirements of the CIPFA and SOLACE Principles A ii) and B i) as key stakeholders are represented on the Pension Board, which was established to underpin the work of the Pensions Committee. In 2025/26, there were no significant issues to highlight on the Governance Compliance Statement.

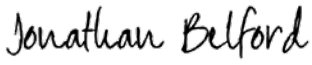
A copy of the Governance Compliance Statement is on our website: **www.nespf.org.uk/about/policies-and-statements/**

Certification

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of systems of governance operated by Aberdeen City Council and the North East Scotland Pension Fund. The annual review demonstrates that the governance and internal control environment operated effectively during the 2025/26 financial year. On a quarterly basis, written updates regarding the Pension Fund's adherence to Investment Strategies and Performance are provided to the Pensions Committee.



Andy MacDonald
Interim Chief Executive



Jonathan Belford, CPFA
Chief Officer – Finance



Councillor John Cooke
Pensions Committee Convener

On behalf of Aberdeen City Council
30 September 2026



Governance Compliance Statement

Principle	Compliance
1. Structure	
a) That employer 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.	Fully compliant
b) The management of the administration of benefits and strategic management of Fund assets clearly rests with the main Committee established by the appointing Council.	
c) That where a secondary Committee or panel has been established, the structure ensures effective communication across both levels.	
d) 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.	
2. Committee Membership and Representation	
a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary Committee structure. These include: i) employing authorities (including non Scheme employers, e.g. Admitted Bodies); ii) scheme members (including deferred and pensioner scheme members); iii) where appropriate, independent professional observers, and iv) expert advisors (on an ad-hoc basis).	Fully compliant
b) That where lay members sit on a main or secondary Committee, they are treated equally in terms of access to papers, meetings and training and are given full opportunity to contribute to the decision making process, with or without voting rights.	
3. Voting	
a) 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.	Fully compliant
4. Training/Facility time/Expenses	
a) 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.	Fully compliant
b) That where such a policy exists, it applies equally to all members of committees, sub committees, advisory panels or any other form of secondary forum.	
c) That the Administering Authority considers the adoption of annual training plans for Committee members and maintains a log of all such training undertaken.	

Principle	Compliance
5. Meetings (Frequency /Quorum)	
a) That an Administering Authority's main Committee or committees meet at least quarterly.	Fully compliant
b) 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.	
c) That an Administering Authority who does not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	
6. Access	
a) 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.	Fully compliant
7. Scope	
a) That Administering Authorities have taken steps to bring wider Scheme issues within the scope of their governance arrangements.	Fully compliant
8. Publicity	
a) 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.	Fully compliant

Full details on how the Fund remains compliant can be viewed in our Governance Compliance Statement available on our website: **www.nespf.org.uk/about/policies-and-statements/**

Andy MacDonald
Interim Chief Executive

Jonathan Belford, CPFA
Chief Officer – Finance

Councillor John Cooke
Pensions Committee Convener

On behalf of Aberdeen City Council
30 September 2026



North East Scotland Pension Fund Accounts

Fund Account for the year ended 31 March 2026

This statement shows a summary of the income and expenditure that the Pension Fund has generated and consumed in delivering the LGPS. Included is the income generated from employers' and employees' contributions and investment income, as well as the cost of providing benefits and administration of the Fund.

	Notes	2024/25 £'000	2025/26 £'000
Dealings with members, employers and others directly involved in the Fund			
Employees' Contributions	3	(40,654)	(41,157)
Employers' Contributions	3	(107,861)	(106,798)
Transfer Values	4	(3,744)	(5,212)
Other Income		(4)	(2)
Additions		**(152,263)**	**(153,169)**
Employers' Surplus Refunds/Exit Payments	5	33,822	4,620
Retirement Pensions	6	171,686	178,715
Retirement Allowances	6	36,105	36,274
Death Gratuities	6	5,596	5,630
Contributions Refunded	7	717	451
Transfer Values	7	8,983	6,117
Withdrawals		**256,909**	**231,807**
Net (Additions)/Withdrawals from dealings with members		**104,646**	**78,638**
Management Expenses	8a	24,855	23,764
Net (Additions)/Withdrawals including Fund Management Expenses		**129,501**	**102,402**
Return on Investment			
Investment Income	9	(85,390)	(83,961)
Taxes on Income	9	724	590
Profits and (Losses) on Disposal of Investments and Changes in Market Value of Investments	10	(146,769)	(324,055)
Net Return on Investments		**(231,435)**	**(407,426)**
Revaluation of Insurance Buy In Contract	18c	**5,699**	**(6,588)**
Net (Increase)/Decrease in the Net Assets available for Benefits during the year		**(107,633)**	**(311,613)**
Opening Net Assets of the Fund		**(6,236,899)**	**(6,344,532)**
Closing Net Assets of the Fund		**(6,344,532)**	**(6,656,145)**

North East Scotland Pension Fund Accounts

Net Assets Statement as at 31 March 2026

This statement provides a breakdown of type and value of all Net Assets at the year end.

	Notes	2024/25 £'000	2025/26 £'000
Investment Assets			
Equities		2,060,020	2,064,556
Pooled Funds	11	2,745,467	3,047,853
Direct Property	15	383,364	429,300
Private Equity		531,672	538,565
Private Debt		83,984	92,590
Funds held by Investment Managers		408,926	312,311
ACC Loans Fund Deposit	21	29,375	67,405
Investment Income Due		2,579	2,354
Investment Sales Amount Receivable		2,058	0
Total Investment Assets		6,247,445	6,554,934
Investment Liabilities			
Investment Purchases Amount Payable		(1,325)	0
Net Investment Assets		6,246,120	6,554,934
Insurance Buy In Contract	20a	122,379	119,000
Life Time Tax Allowance	20a	145	115
Long Term Assets		**122,524**	**119,115**
Current Assets	20b	14,348	15,381
Current Liabilities	20c	(38,460)	(33,286)
Net Current Assets/(Liabilities)		**(24,112)**	**(17,905)**
Closing Net Assets of the Fund		6,344,532	6,656,145

The unaudited accounts were authorised on 19 June 2026 and the audited accounts were authorised for issue by Jonathan Belford on 29 September 2026.

Jonathan Belford

Jonathan Belford, CPFA

Aberdeen City Council, Chief Officer – Finance

30 September 2026

Notes to the North East Scotland Pension Fund Accounts

Notes to the North East Scotland Pension Fund Accounts

Note 1: Accounting Policies

The North East Scotland Pension Fund's Accounts have been prepared in accordance with the Code of Practice on Local Authority accounting in the UK (the Code). The Annual Accounts summarise the Fund's transactions for the 2025/26 financial year and its position at year end as at 31 March 2026. The Annual Accounts do not take account of the obligation to pay pensions and benefits which fall due after the end of the year. The Fund's Annual Accounts are prepared on an accruals basis.

Contribution Income

Normal contributions, from both members and employers, are accounted for on an accruals basis. Employers' deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the Scheme Actuary or on receipt (if earlier than the due date).

Employers' pension strain contributions are accounted for in the period in which the liability arises. Any amounts due in year but unpaid will be classed as a current financial asset.

Transfers to and from other Schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme (Scotland) Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Investment Income

Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Dividend income is recognised on the date the shares are quoted ex dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset. Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

Property related income consists primarily of rental income. Rental income is demanded in accordance with the terms of the lease, generally being quarterly in advance.

The property portfolio accounts are prepared on an accruals basis. Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund Account - Expenses Benefits Payable

Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

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.

Management Expenses

The Code does not require any breakdown of Pension Fund management expenses. However, in the interests of greater transparency, the Pension Fund discloses its management expenses in accordance with CIPFA guidance on Accounting for Local Government Pension Scheme Management Costs.

a) Administrative Expenses and Oversight and Governance Costs

All administrative expenses and oversight and governance costs are accounted for on an accruals basis. All staff costs are charged direct to the Fund. Accommodation and other overheads are apportioned to the Fund in accordance with Aberdeen City Council's policy.

b) Investment Management Expenses

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments changes.

In addition, the Fund has negotiated performance related fees with several of its investment managers. Performance related fees were £6,035,655 in 2025/26 (£4,202,274 in 2024/25).

Where an investment manager's fee note has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund Account.

Financial Assets

Financial assets are included in the Net Assets Statement on a fair value basis at the reporting date. A financial asset is recognised in the Net Assets Statement 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.

Valuation of Investments

All investments are valued at their market value at 31 March 2026 and are determined as follows:

- **All stocks within the FTSE 100 are valued based on the last traded price recorded on SETS (the Stock Exchange Electronic Trading Service), while all other listed securities are valued on the basis of the market conventions where primarily traded, which is either last traded or bid market price.**
- **Investments held in foreign currency have been valued on the above basis and translated into sterling at the rate ruling at the balance sheet date.**
- **Private equity/debt and infrastructure assets are independently valued by the appointed Fund Manager and General Partners. Fair value is calculated by applying Private Equity and Venture Capital Valuation Guidelines.**

Unlisted investments are valued using one of the following methodologies:

- **Multiple (based on comparable quoted multiples and significant third party transactions);**
- **Price of Recent Investment;**
- **Net Assets;**
- **Discounted Cash Flows or Earnings from Underlying Business.**

When applying an Earning Multiple, the Fund Manager/ General Partner will use the best estimate of maintainable earnings.

In accordance with guidelines, discounts have been applied for size, quality of earnings, gearing and dependency on one customer where appropriate. A Marketability Discount will also have been applied to reflect liquidity. Direct property investments are valued by an external valuer (JLL), in accordance with the Valuation Standards issued by The Royal Institute of Chartered Surveyors. The valuer's opinion of Market Value was primarily derived using:

- **Income approach using the Investment Method.**

A full copy of the valuer's report including all general assumptions and definitions is available on request from the Executive Director of Corporate Services, Aberdeen City Council, Level 1 West, Business Hub 7, Marischal College, Broad Street, Aberdeen, AB10 1AB.

Derivatives

Derivative contract assets are valued at bid price and liabilities are fair valued at offer price. Changes in the fair value of derivative contracts are included in the 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.

The future value of forward currency contracts is based on market forward exchange rates at the year end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract.

Cash

Cash comprises of cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Financial Liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the fund becomes party to the liability. From this date any gains or losses arising from the change in the fair value of the liability are recognised.

Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits of the Fund is assessed on a quarterly basis by the Scheme Actuary and is in accordance with the requirements of International Accounting Standard 19 (IAS 19) and relevant actuarial standards.

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 2) together with the full Statement by the Consulting Actuary found on Appendix 1.

Orphan liabilities are liabilities in the North East Scotland Pension Fund for which there is no sponsoring employer within the Fund. Ultimately, orphan liabilities must be underwritten by all other employers of the Fund.

Under the termination policy of the Fund, as set out by the Scheme Actuary, a termination assessment will be made on a least risk funding basis, unless the Admission Body has a guarantor within the Fund or a successor body exists to take over the liabilities. This is to protect the other employers in the Fund as, at termination, the Admitted Body's liabilities will become "Orphan Liabilities" within the Fund.

Additional Voluntary Contributions

North East Scotland Pension Fund provides an Additional Voluntary Contributions (AVC) Scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund has appointed Prudential as its AVC provider together with Standard Life. AVCs are paid to the AVC provider by the employers and are specifically for providing additional benefits for the individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year, from each service provider. AVCs are not included within the Annual Accounts however they are detailed in a Note to the Accounts.

Critical Judgements in applying Accounting Policies – Unquoted Private Equity/Debt and Infrastructure Investments

It is important to recognise the highly subjective nature of determining the fair value of unquoted private equity/debt and infrastructure investments. They are inherently based on forward looking estimates and judgements involving many factors. These investments are valued by the investment managers.

The valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of International Financial Reporting Standards (IFRS).

The value of unquoted investments at 31 March 2026 was £1,283,022 (31 March 2025 £1,268,281,146).

Actuarial Present Value of Promised Retirement Benefits

Each fund is required to disclose the estimated actuarial present value of promised retirement benefits as at the end of the financial year. These estimates are prepared by the Scheme Actuary. These values are calculated in line with IAS 19 assumptions and comply with requirements of IAS 26. However, the results are subject to significant variances based on changes to the underlying assumptions.

The figures are only prepared for the purposes of IAS 26 and have no validity in other circumstances. It is not relevant for calculations undertaken for funding purposes and setting contributions payable to the Fund.

Insurance Buy In Contract

In 2020/21, a bulk annuity insurance buy in contract was purchased with Rothesay Life Plc. The insurer underwrites the risk of meeting the liabilities of a specified group of pensioners on the former Aberdeen City Council Transport Fund's pensions payroll as at the inception date 19 November 2020. The insurer will pay the cost of the monthly pension payments for this group as long as they or their dependants are entitled to a pension.

The Insurance Buy In Contract is included in the Net Assets Statement as an Asset and is valued at year end by the Scheme Actuary.

Events after the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is 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 Statement of Accounts is adjusted to reflect such events;**
- **Those that are indicative of conditions that arose after the reporting period – the Statement of 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 effect.**

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Changes in Accounting Policies

Changes in accounting policies are only made when required by proper accounting practices or the changes provide more reliable or relevant information. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Accounting Standards that have been issued but not yet adopted

At the balance sheet date, the following new standard and amendment to existing standards have been published but not yet adopted by the Code:

- **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 and IFRS 7) issued in December 2024.**

These amendments are not likely to affect Pension Fund transactions or have a material impact on the financial statements.

IFRS 16 Leases

The lease of 2 Marischal Square is technically a finance lease under IFRS16 because "right of use" of the asset exists. The Pension Fund has chosen not to adjust the Fund Accounts as it is deemed not material. The terms and value of the lease are set out in Appendix 4.

Note 2: Actuarial Valuation Report

An Actuarial Report for the North East Scotland Pension Fund (NESPF) was provided as at 31 March 2023.

Information from the 2023 Actuarial Valuation is detailed below:

Market Value of Assets at Valuation	**£5,804,000,000**
Liabilities	**£4,614,000,000**
Surplus	**£1,190,000,000**

Funding Level

The Level of Funding in Terms of the Percentage of Assets available to meet Liabilities	126%

Achieving the Solvency Funding Target

The funding objective as set out in the Funding Strategy Statement (FSS) is to achieve and maintain a solvency funding level of 100% of liabilities **(the solvency funding target)**. In line with the FSS, the Fund has determined a contribution requirement for each employer taking into account the offset of any surplus held or the recovery of any deficit due. The average spread/recovery period adopted by the Fund is 13 years.

The valuation determined that the average employer cost of providing members benefits across the Fund was 20.2% (the Primary contribution rate). By spreading the surplus over 13 years the Secondary contribution rate for the whole Fund is -6.2% meaning that the average employer contribution rate is 14.0% of pensionable pay.

In practice, each employer's position is assessed separately, details of which can be found in the 2023 Actuarial Valuation report. This sets out the contributions for each employer over the 3 year period to 31 March 2027.

Schedule to the Rates and Adjustments Certificate

The Schedule to the Rates and Adjustments Certificate for the Fund sets out the contributions for the employer over the 3 year period to 31 March 2027. The rates have been determined in accordance with the FSS. Any adjustments made to the rates proposed by the Scheme Actuary were made as a result of the consultation carried out by the Fund and were made in line with the approaches agreed with the Scheme Actuary. Contribution requirements for the period from 1 April 2027 onwards will be revised as part of the next actuarial valuation as at 31 March 2026 and will be confirmed in the Rates and Adjustments Certificate and Schedule accompanying that valuation report.

Assumptions used to Calculate Funding Target

Discount Rate (Past Service)	4.60% p.a.
Discount Rate (Future Service)	4.10% p.a.
Assumed Long Term Price Inflation (CPI)	2.60% p.a.
Salary Increases – Long Term	4.10% p.a.
Pension Increases in Payment	2.60% p.a.

The 2023 Actuarial Report and the NESPF Funding Strategy Statement are available from the office of the Executive Director Corporate Services, Aberdeen City Council, Level 1 West, Business Hub 7, Marischal College, Broad Street, Aberdeen, AB10 1AB.

Actuarial Statement

The Scheme Actuary has provided a statement describing the funding arrangements of the Fund.

The actuarial value of promised retirement benefits at the accounting date, calculated in line with International Accounting Standards 26 (IAS 26) assumptions, is estimated to be £4,347m (2025 £4,189m). In addition to benefits accrued by members being rolled forward from 2025, the following factors have had an impact on the calculation for the year to 31 March 2026.

- **A change in financial assumptions from 2025 to 2026, including an increase in the discount rate, resulted in a reduction in actuarial present value of £94m;**
- **The demographic assumptions have been updated since the previous IAS26 disclosure. This has had the effect of increasing the actuarial present value by £26m**

The IAS 26 figures fluctuate as a result to changes to the assumptions used. The attached table shows the sensitivity of the results to some of the key assumptions;

Changes in assumptions as of 31 March 2026	Approximate % increase to the promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in the Discount rate	2%	70
1 year increase in the member life expectancy	4%	174
0.1% p.a. increase in the Salary Increase Rate	0%	4
0.1% increase in the Rate of CPI Inflation	2%	66

These calculations are only prepared for the purposes of IAS 26 and have no validity in other circumstances. It is not relevant for calculations undertaken for funding purposes and setting contributions payable to the Fund.

The full statement by the Scheme Actuary is in Appendix 1.

Note 3: Contributions Receivable

By Category	2024/25 £'000	2025/26 £'000
Employees' Normal Contributions	**40,654**	**41,157**
Employers' Normal Contributions	102,355	101,251
Employers' Deficit Recovery Contributions	5,506	5,547
Total Employers' Contributions	**107,861**	**106,798**
Total	**148,515**	**147,955**

By Authority	2024/25 £'000	2025/26 £'000
Administering Authority	34,970	34,103
Scheduled Bodies	99,615	107,376
Admitted Bodies	13,930	6,476
Total	**148,515**	**147,955**

Note 4: Transfers In from other Pension Funds

	2024/25 £'000	2025/26 £'000
Individual Transfers	3,744	5,212
Total	**3,744**	**5,212**

Note 5: Employers' Surplus Refunds/Exit Payments

	2024/25 £'000	2025/26 £'000
Employers' Surplus Refunds/Exit Payments*	33,822	4,620
Total	**33,822**	**4,620**

* *One employer terminated their admission agreement with the Fund and one employer went into administration. Surplus refunds/exit payments were calculated by the Scheme Actuary.*

Note 6: Benefits Payable

By Category	2024/25 £'000	2025/26 £'000
Pensions	171,686	178,715
Commutation and Lump Sum Retirement Benefits	36,105	36,274
Lump Sum Death Benefits	5,596	5,630
Total	**213,387**	**220,619**

By Authority	2024/25 £'000	2025/26 £'000
Administering Authority	56,110	57,979
Scheduled Bodies	124,830	128,841
Admitted Bodies	32,447	33,799
Total	**213,387**	**220,619**

Note 7: Payment to and on Account of Leavers

	2024/25 £'000	2025/26 £'000
Refunds to Members Leaving Service	720	451
Payments for Members Joining State Scheme	(3)	(1)
Individual Transfers	8,983	6,117
Total	**9,700**	**6,567**



Note 8a: Management Expenses

	2024/25 £'000	2025/26 £'000
Pension Fund Staffing Costs – Administration	1,836	1,952
Information Technology	645	689
Supplies & Services	150	202
Accommodation	571	590
Printing and Publications	5	13
Administration Expenses Total	**3,207**	**3,446**
Pension Fund Staffing Costs – Investment	245	287
Pension Fund Committee	2	2
Pension Board	2	2
External Audit Fee**	52	58
Internal Audit Fee	15	14
Actuarial Fees	104	66
Legal Fees and General Expenses	302	948
Oversight and Governance Expenses Total	**722**	**1,377**
Investment Management*	14,319	10,689
Performance Fees*	4,202	6,036
Direct Operating Property Expenses	1,143	973
Transaction Costs	1,122	1,096
Custody Fees	140	147
Investment Management Expenses Total	**20,926**	**18,941**
Management Expenses Grand Total	**24,855**	**23,764**

* *In accordance with CIPFA guidance, the Fund treats those fees deducted from private equity/debt investments as Investment Management or Performance Fees. See the table overleaf for a breakdown by asset class.*

** *Total fee for 2024/25 was £55,650 which included an additional fee of £3,400 on conclusion of the audit.*

Quantifying these costs involves requesting the relevant fund managers for information, not all of which can be independently verified. Sometimes, fee estimates are required and there is a risk that the amount is incorrectly stated. However, as costs are offset by a corresponding adjustment to the change in market value of investments, any inaccuracy in the estimate will not change the Fund's net movement for the year.

Note 8b: Investment Management Expenses by Asset Class

2025/26	Management Fees £'000	Performance Fees £'000	Direct Property Expenses £'000	Transaction Costs £'000	Total £'000
Equities	3,710	0		1,096	4,806
Pooled Funds	1,630	2,607			4,237
Property	1,180		973		2,153
Private Equity	2,805	3,304			6,109
Private Debt	1,364	125			1,489
Subtotal	**10,689**	**6,036**	**973**	**1,096**	**18,794**
				Custody Fees	147
				Grand Total	**18,941**

2024/25	Management Fees £'000	Performance Fees £'000	Direct Property Expenses £'000	Transaction Costs £'000	Total £'000
Bonds	0				0
Equities	4,903	0		1,122	6,025
Pooled Funds	2,874	612			3,486
Property	825		1,143		1,968
Private Equity	4,588	2,926			7,514
Private Debt	1,129	664			1,793
Subtotal	**14,319**	**4,202**	**1,143**	**1,122**	**20,786**
				Custody Fees	140
				Grand Total	**20,926**

Note 8c: Analysis of Transaction Costs

Commission £'000	Fees/Tax £'000	2024/25 Total £'000	Asset Type	Commission £'000	Fees/Tax £'000	2025/26 Total £'000
362	420	**782**	Equities	574	522	**1096**
340	0	**340**	Pooled Funds	0	0	**0**
702	**420**	**1,122**	**Total**	**574**	**522**	**1,096**

Note 9: Investment Income

	2024/25 £'000	2025/26 £'000
Bonds	0	0
Equity Dividends	(23,359)	(19,468)
Property Rental Income	(22,590)	(24,130)
Interest on Cash Deposit	(7,362)	(16,164)
Pooled Funds	(16,317)	(16,883)
Private Equity	(377)	(667)
Private Debt	(16,110)	(7,265)
Other (including P/L from Currency & Derivatives)	725	718
Total	**(85,390)**	**(83,961)**
Tax		
Withholding Tax – Equities	724	590
Total Tax	**724**	**590**
Net Total	**(84,666)**	**(83,371)**

Note 10: Investment Assets

Reconciliation of Movements in Investments and Derivatives:

	Market Value 31 March 2025 £'000	Purchases £'000	Sales £'000	Change in Market Value £'000	Market Value 31 March 2026 £'000
Equities	2,060,020	1,203,287	(1,215,481)	16,730	2,064,556
Pooled Funds	2,745,467	53,939	(11,132)	259,579	3,047,853
Property	383,364	34,970	(10)	10,976	429,300
Private Equity	531,672	57,838	(84,952)	34,007	538,565
Private Debt	83,984	21,264	(15,421)	2,763	92,590
	5,804,507	**1,371,298**	**(1,326,996)**	**324,055**	**6,172,864**
Other					
Cash	438,301				379,716
Investment Income Due	2,579				2,354
Investment Sales Amount Receivable	2,058				0
Investment Purchases Amount Payable	(1,325)				0
Net Investment Assets	**6,246,120**				**6,554,934**

Reconciliation of Movements in Investments and Derivatives:

	Market Value 31 March 2024 £'000	Purchases £'000	Sales £'000	Change in Market Value £'000	Market Value 31 March 2025 £'000
Equities	2,431,401	657,224	(1,107,341)	78,736	2,060,020
Pooled Funds	2,516,109	314,825	(122,816)	37,349	2,745,467
Property	381,000	22,504	(19,680)	(460)	383,364
Private Equity	500,286	49,380	(55,578)	37,584	531,672
Private Debt	129,789	(39,365)	0	(6,440)	83,984
	5,958,585	**1,004,568**	**(1,305,415)**	**146,769**	**5,804,507**
Other					
Cash	178,809				438,301
Investment Income Due	2,543				2,579
Investment Sales Amount Receivable	16,520				2,058
Investment Purchases Amount Payable	(27,072)				(1,325)
Net Investment Assets	**6,129,385**				**6,246,120**



Note 11: Analysis of Investments

	2024/25 £'000	2025/26 £'000
Equities - UK	296,539	36,252
Equities - Overseas	1,763,481	2,028,304
Equities	**2,060,020**	**2,064,556**
Pooled Funds Breakdown:		
Bonds	1,111,450	1,199,736
Equities	1,103,770	1,315,251
Infrastructure - Unit Trust	57,766	47,691
Infrastructure - Limited Partnership	472,481	485,175
Pooled Funds	**2,745,467**	**3,047,853**
Direct Property	383,364	429,300
Private Equity	531,672	538,565
Private Debt	83,984	92,590
Other Investments	**999,020**	**1,060,455**
Funds held by Investment Managers	408,926	312,311
ACC Loans Fund Deposit	29,375	67,405
Investment Income Due	2,579	2,354
Investment Sales Amount Receivable	2,058	0
Other Balances	**442,938**	**382,070**
Investment Assets Total	**6,247,445**	**6,554,934**
Investment Liabilities		
Investment Purchases Amounts Payable	(1,325)	0
Investment Liabilities Total	**(1,325)**	**0**
Net Investment Assets	**6,246,120**	**6,554,934**

Note 12: Analysis of Derivatives

Futures

There were no outstanding exchange traded future contracts as at 31 March 2026.

Forward Foreign Currency

There were no outstanding forward foreign currency contracts as at 31 March 2026.

Note 13: Investments Analysed by Fund Manager

	31 March 2025 £'000	%	31 March 2026 £'000	%
Investment Assets				
State Street Global Advisors	1,511,569	23.8	1,739,702	26.1
Baillie Gifford	1,050,945	16.6	1,043,058	15.7
BlackRock Asset Management	1,030,679	16.2	1,059,459	15.9
BlackRock Renewable Power III	52,554	0.8	44,163	0.7
Abrdn (Property)	390,313	6.1	436,607	6.5
Abrdn (Property Residential)	29,533	0.5	19,430	0.3
HarbourVest	382,935	6.0	392,205	5.9
ACC Loans Fund Deposit	29,375	0.4	67,405	1.0
Global Custodian	383,104	6.1	269,285	4.1
Partners Group	27,156	0.5	23,197	0.3
Maven Capital	23	0.0	21	0.0
Unigestion	66,723	1.1	78,285	1.1
Russell Multi Asset Credit	332,176	5.2	403,377	6.1
Aviva Infrastructure	57,766	0.9	47,691	0.7
Hermes Infrastructure	83,747	1.3	84,270	1.3
Alcentra	48,451	0.8	37,092	0.6
Hayfin Direct Lending	36,001	0.6	55,499	0.9
Insight Credit	371,476	5.9	371,908	5.6
Allianz Home Equity	25,306	0.4	25,430	0.4
IFM Global Infrastructure	336,287	5.3	356,850	5.3
Schroders	0	0.0	0	0.0
	6,246,119	**98.5**	**6,554,934**	**98.5**
Net Long and Current Assets				
Bank Account	15	0	11	0
Long Term and Current Debtors Less Creditors	98,398	1.5	101,200	1.5
Net Assets	**6,344,532**	**100.0**	**6,656,145**	**100.00**

The following investments represent more than 5% of the Net Investment Assets:

Security	Market Value 31 March 2025 £'000	% of Net Investment Assets	Market Value 31 March 2026 £'000	% of Net Investment Assets
MPF International Equity Index Pooled Fund*	548,367	8.64	660,614	10.07
MPF UK Equity Pooled Fund*	555,403	8.75	654,638	9.98
Insight Investment Mgt Global Funds*	371,476	5.86	371,908	5.67
MPF UK Index Linked Gilts*	407,799	6.40	424,451	6.47
IFM Global Infrastructure	336,287	5.30	356,850	5.34
Russell Investment Qual Inv Alt Acc	332,176	5.24	403,377	6.15

* *The investments listed above are Pooled Investments, i.e. where two or more parties 'pool' or combine their investments. This type of investment allows the Fund to gain from economies of scale, i.e. lower transaction costs and diversification that can help reduce risk.*

Note 14: Stock Lending

	31 March 2025 £'000	Collateral Percentage	31 March 2026 £'000	Collateral Percentage
Stock on Loan				
Equities	246,142		258,037	
Total Exposure	**246,142**		**258,037**	
Total Collateral	**260,856**	**106%**	**273,853**	**106%**

Stock Lending is the lending of stock from one investor to another that entitles the lender to continue to receive income generated by the stock plus an additional payment by the borrower.

Collateral is held at 106% in respect of each borrower, consisting of Government Debt, UK and Overseas Equities.

Note 15: Property Holdings

	2024/25 £'000	2025/26 £'000
Opening Balance	**381,000**	**383,364**
Purchases	21,774	27,344
Construction	482	7,553
Subsequent Expenditure	55	73
Disposals	(19,661)	(10)
Net Increase/(Decrease) in Market Value	(285)	10,976
Closing Balance	**383,364**	**429,300**

The property holdings note shows those UK properties directly held by the Fund and as such the Fund is responsible for all the repairs, maintenance or enhancements. There are no restrictions on the realisability of the property or the remittance of income or proceeds on disposal and the Fund is not under any contractual obligations to purchase, construct or develop any of these properties, as all are addressed within the Fund's Property Investment Strategy.

The valuation has been prepared in accordance with the current UK national supplement (the RICS Red BOOK) published by the Royal Institution of Chartered Surveyors on the basis of the IFRS 13 definition of Fair Value.

The future minimum lease payments receivable by the Fund are as follows:

	2024/25 £'000	2025/26 £'000
Within One Year	19,214	21,319
Between One Year and Five Years	59,661	72,390
Later than Five Years	127,182	129,197
Total	**206,057**	**222,906**

In accordance with IFRS 16, the above table has been presented using the 'break date' of the lease agreements.

Based upon the Fund's own historic experience but also on similar properties received from the Fund's property letting agents, the above disclosure for 2025-26 has seen no adjustment being required for a credit loss allowance.



Note 16: Financial and Non-Financial Instruments

Accounting policies describe how different asset classes of financial and non-financial instruments are measured. Also, how income and expenses, including fair value gains and losses, are recognised. The following table analyses the fair value of financial assets and liabilities (excluding cash) by category and by Net Assets Statement heading. No financial assets were reclassified during the accounting period.

Non-financial instruments have been added to the table for reconciliation to the Net Assets of the Fund.

31 March 2025				31 March 2026		
Designated as Fair Value through Profit & Loss £'000	Assets at Amortised Cost £'000	Financial Liabilities at Amortised Cost £'000		Designated as Fair Value through Profit & Loss £'000	Assets at Amortised Cost £'000	Financial Liabilities at Amortised Cost £'000
			Financial Assets			
2,060,020			Equities	2,064,556		
2,745,467			Pooled Funds	3,047,853		
531,672			Private Equity	538,565		
83,984			Private Debt	92,591		
	438,301		Cash		379,716	
	4,637		Other Investment Balances		2,354	
	14,493		Debtors		15,496	
122,379			Insurance Buy In	119,000		
5,543,522	**457,431**		**Subtotal**	**5,862,565**	**397,566**	
			Financial Liabilities			
		(1,325)	Other Investment Balances			0
		(38,460)	Creditors			(33,286)
		(39,785)				**(33,286)**
5,543,522	**457,431**	**(39,785)**	**Financial Instruments Total**	**5,862,565**	**397,566**	**(33,286)**
			Non Financial Instruments			
383,364			Property	429,300		
5,926,886	**457,431**	**(39,785)**		**6,291,865**	**397,566**	**(33,286)**
		6,344,532	**Net Assets of the Fund**			**6,656,145**

Note 17: Net Gains and Losses on Financial and Non-Financial Instruments

31 March 2025 £'000	Financial Assets	31 March 2026 £'000
147,229	Fair Value through Profit and Loss	312,905
	Financial Liabilities	
0	Fair Value through Profit and Loss	0
147,229	**Net Gains and Losses on Financial Instruments**	**312,905**
	Non-Financial Instruments	
(460)	Fair Value through Profit and Loss	11,150
146,769	**Net Gains and Losses of the Fund**	**324,055**

Note 18: Valuation of Financial and Non-Financial Instruments carried at Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair value.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets and 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

Financial instruments 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 input that are based significantly on observable market data.

Level 3

Financial instruments 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 would include unquoted private equity/debt and infrastructure investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investments in unquoted private equity/debt and infrastructure are based on valuations provided by the general partners to the funds in which North East Scotland 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. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

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. Non-Financial instruments have been added to the table for reconciliation to the Net Assets of the Fund.

Note 18a: Fair Value – Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There have been no changes 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 Valuations Provided
Market Quoted Investments	Level 1	Published bid market price ruling on the final day of the accounting period.	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
Exchange Traded Pooled Investments	Level 1	Closing bid value on published exchanges.	Not required	Not required
Forward Foreign Exchange Derivatives	Level 2	Market forward exchange rates at the year end.	Exchange rate 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
Freehold and Leasehold Properties	Level 3	Valued at fair value at the year end using the investment method of valuation by Valuers under the supervision of Tom Priest MRICS and Claire Magowan MRICS of Savills in accordance with the *RICS Valuation Professional Standard.*	Existing lease terms and rentals. Independent market research. Nature of Tendencies Covenant Strength for existing tenants. Assumed vacancy levels. Estimated rental growth. Discount rate.	
Unquoted Equity/ Debt & Infrastructure	Level 3	Comparable valuation of similar companies in accordance with *International Private Equity and Venture Capital Valuation Guidelines* (2018).	Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA) multiple Revenue multiple Discount for lack of marketability Control Premium.	Valuations 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 cashflows and by any differences between audited Accounts.

	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	
Values at 31 March 2026	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets at Fair Value through Profit and Loss	4,579,543		1,283,022	**5,862,565**
Non Financial Assets at Fair Value through Profit and Loss			429,300	**429,300**
Financial Liabilities at Fair Value through Profit and Loss	0			**0**
Net Investment Assets (Fair Value)	**4,579,543**	**0**	**1,712,322**	**6,291,865**

	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	
Values at 31 March 2025	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets at Fair Value through Profit and Loss	4,275,240		1,268,281	**5,543,521**
Non Financial Assets at Fair Value through Profit and Loss			383,190	**383,190**
Financial Liabilities at Fair Value through Profit and Loss	0			**0**
Net Investment Assets (Fair Value)	**4,275,240**	**0**	**1,651,471**	**5,926,711**

Note 18b: Transfers between Levels

There were no transfers between levels 1 and 2.



Note 18c: Reconciliation of Fair Value Measurements within Level 3

	Market Value 31 March 2025 £'000	Purchases during the year & Derivative Payments £'000	Sales during the year & Derivative Receipts £'000	Realised Gains & Losses £'000	Unrealised Gains & Losses (a) £'000	Market Value 31 March 2026 £'000
Direct Property	383,364	34,970	(10)	10	10,966	429,300
Infrastructure – Limited Partnership	530,246	1,064	(10,641)	(2,535)	14,732	532,866
Private Equity	531,672	57,838	(84,952)	51,432	(17,425)	538,565
Private Debt	83,983	21,264	(15,421)	1,792	972	92,590
Insurance Buy In	122,379	0	0	0	(3,379)	119,000
Total	**1,651,644**	**115,136**	**(111,024)**	**50,699**	**5,866**	**1,712,321**

(a) Unrealised and realised gains and losses are recognised in the profit and losses on disposal and changes in the market value of investments line with the Fund Account.

Note 18c: Bulk Annuity Insurance Buy In Contract

The transfer of assets from the ACCTF included a Bulk Annuity Insurance Buy In Contract with Rothesay Life Plc. The insurance cover provides that the insurer underwrites the risk for meeting the liabilities of a specified group of pensioners on the pensions payroll as at the inception date 19 November 2020. The insurer will pay the cost of the monthly pension payments for this group so long as they or their dependents are entitled to a pension.

The Insurance Buy In Contract is included in the Net Assets Statement as an Asset and is valued at year end by the Scheme Actuary.

	Total £'000
Transfer from ACCTF of Insurance Buy In on 1 April 2025	**122,379**
Level Pensions Paid by Insurer	(9,967)
Actuarial Revaluation	6,588
Closing Market Value as at 31 March 2026	**119,000**

Note 18d: Sensitivity of Assets Valued at Level 3

Having analysed historical data, current market trends and consulted with independent investment advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2025.

	Assessed Valuation Range (+/-)	Value at 31 March 2026 £'000	Value on Increase £'000	Value on Decrease £'000
Direct Property	13%	429,300	485,109	373,491
Infrastructure – Limited Partnership	13% / 24%	532,866	655,508	410,224
Private Equity	24%	538,565	667,821	409,309
Private Debt	24%	92,591	114,813	70,369
Insurance Buy In	24%	119,000	147,560	90,440
Total		**1,712,322**	**2,070,811**	**1,353,833**

The key underlying inputs for the Insurance Buy In Contract level 3 Valuation are the discount rate and life expectancy. The impact of the changes as calculated by the Scheme's Actuary is shown below:

Change in Assumptions	Adjustment	Valuation 31 March 2026 £m	Valuation Increase £m	Valuation Decrease £m
Discount Rate Adjustment	(-/+) 0.5%	119	123	115
Life Expectancy Adjustment	(-/+) 1 Year	119	124	114

It is important to note that the above are sensitivities rather than being 'upper or lower bounds' on the value of the policy.

Furthermore, the value of the Insurance Buy In Contract matches the insured liability, so in practice any variation in the asset value would have no effect on the Net Fund position.

Note 19: Risk arising from Financial and Non Financial Instruments

The Fund's primary long term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio.

The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk, ensuring there is liquidity to meet the Fund's forecast cash flows.

The Fund manages these investment risks as part of its overall Pension Fund Risk Management Strategy. Responsibility for the Fund's Risk Management Strategy rests with the Pensions Committee. Risk management policies are established to identify and analyse the risks faced by the Fund. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Market Risk

Market risk is the risk of loss from fluctuations in equity 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 location, industry sectors and individual securities. Specific risk exposure is limited by applying risk weighted maximum exposures to individual investments.

Other Price Risk – Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year and in consultation with the Fund's Investment Adviser, the Fund has determined that the following movements in market price risk are possible for the 2025/26 reporting period.

Asset Type	Potential Market Movements (+/-)
UK Bonds	9%
Overseas Bonds	9%
UK Equities	16.4%
Overseas Equities	19%
Pooled – Diversified Growth Fund	12.5%
Infrastructure - Other	13%
Infrastructure - Limited Partnership	24%
Private Equity	24%
Private Debt	24%
Property	13%
Cash	2.0%

The potential price changes disclosed above are broadly consistent with a one standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the Investment Adviser's most recent review. This analysis assumes that all other variables, particularly foreign currency exchange rates and interest rates, remain the same.

Had the market price of the Fund's investments increased/decreased in line with the above, the change in the Net Assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown overleaf).

Asset Type	Value as at 31 March 2026 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Bonds	424,451	9.0	462,651	386,250
Overseas Bonds	775,284	9.0	845,060	705,508
UK Equities	36,252	16.4	42,197	30,307
Overseas Equities	3,343,555	19.0	3,978,830	2,708,280
Infrastructure - Other	47,691	13.0	53,891	41,491
Infrastructure - Limited Partnership	485,175	24.0	601,617	368,733
Private Equity	538,565	24.0	667,821	409,309
Private Debt	92,591	24.0	114,813	70,369
Total	**5,743,564**		**6,766,880**	**4,720,247**

Asset Type	Value as at 31 March 2025 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Bonds	407,799	9.0	444,501	371,097
Overseas Bonds	703,651	9.0	766,980	640,322
UK Equities	296,539	16.1	344,282	248,929
Overseas Equities	2,867,251	20.5	3,455,037	2,279,464
Infrastructure - Other	57,766	13.0	65,276	50,256
Infrastructure - Limited Partnership	472,480	26.0	595,325	349,636
Private Equity	531,672	26.0	669,907	393,437
Private Debt	83,984	26.0	105,819	62,148
Total	**5,421,142**		**6,447,127**	**4,395,289**

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks which represents the risk that the fair 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 routinely monitored by the Fund in accordance with the Fund's Risk Management Strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest rate movements as at 31 March 2025 and 31 March 2026 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset Type	As at 31 March 2025 £'000	As at 31 March 2026 £'000
Cash and Cash Equivalents	438,301	379,716
Cash Balances	15	10
Bonds	1,111,451	1,199,735
Total	**1,549,767**	**1,579,461**

Interest Rate Risk Sensitivity Analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the Net Assets available to pay benefits. A 100 Basis Point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's Risk Management Strategy. The Fund's long term average rates are expected to move less than 100 BPS from one year to the next and experience suggests that such movements are likely.

The analysis that follows assumes that all other variables, particularly exchange rates, remain constant and shows the effect in the year on the Net Assets available to pay benefits of a +/- 100 BPS change in interest rates:

Exposure to Interest Rate Risk	Asset Values as at 31 March 2026	Impact	
		+ 1%	- 1%
	£'000	£'000	£'000
Cash and Cash Equivalents	379,716	383,513	375,919
Cash Balances	11	11	11
Bonds	1,199,735	1,211,732	1,187,738
Total	**1,579,462**	**1,595,257**	**1,563,667**

Exposure to Interest Rate Risk	Asset Values as at 31 March 2025	Impact	
		+ 1%	- 1%
	£'000	£'000	£'000
Cash and Cash Equivalents	438,301	442,684	433,918
Cash Balances	15	15	15
Bonds	1,111,451	1,122,566	1,100,336
Total	**1,549,767**	**1,565,265**	**1,534,269**

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 that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund holds both monetary and non-monetary assets denominated in currencies other than £UK. The Fund's currency rate risk is routinely monitored in accordance with the Fund's Risk Management Strategy, including monitoring the range of exposure to currency fluctuations.

The following table summarises the Fund's currency exposure as at 31 March 2026 and as at the previous year end:

Assets Exposed to Currency Risk	Asset Value as at 31 March 2025 £'000	Asset Value as at 31 March 2026 £'000
Overseas Quoted Securities	781,579	1,037,327
Overseas Unquoted Securities	613,353	630,437
Overseas Unit Trusts	1,807,422	2,090,535
Total Overseas Assets	**3,202,354**	**3,758,299**

Currency Risk – Sensitivity Analysis

Following analysis of historical data in consultation with the Fund's investment advisers, the Fund considers the likely volatility associated with foreign exchange rate movements to be 10.4%. This analysis assumes that all other variables, particularly interest rates, remain constant.

A 10.4% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the Net Assets to pay benefits as shown below:

Assets Exposed to Currency Risk	Asset Values as at 31 March 2026	Potential Market Movement	
		+ 10.4%	- 10.4%
	£'000	£'000	£'000
Overseas Quoted Securities	1,037,327	1,145,209	929,445
Overseas Unquoted Securities	630,437	696,002	564,871
Overseas Unit Trust	2,090,535	2,307,951	1,873,119
Total	**3,758,299**	**4,149,162**	**3,367,435**

Assets Exposed to Currency Risk	Asset Values as at 31 March 2025	Potential Market Movement	
		+ 10.4%	- 10.4%
	£'000	£'000	£'000
Overseas Quoted Securities	781,579	862,863	700,295
Overseas Unquoted Securities	613,353	677,142	549,564
Overseas Unit Trust	1,807,422	1,995,394	1,619,450
Total	**3,202,354**	**3,535,399**	**2,869,309**

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 values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Fund's credit criteria. The Local Government Pension Scheme Investment Regulations have limits as to the maximum percentage of the deposits placed with any one class of financial institution. Money market fund deposits are made through the Fund's Global Custodian and are evaluated according to their internal criteria.

Deposits made to the Aberdeen City Council (ACC) loans fund are administered within the City Council treasury policy. The Fund believes it has managed its exposure to credit risk and has had no experience of default or uncollectable deposits. The Fund's cash holding at 31 March 2026 was £379,732,000 (31 March 2025 was £438,316,000). This was held with the following institutions as shown below:

Summary	Rating	Balance as at 31 March 2025 £'000	Balance as at 31 March 2025 £'000
Liquidity Funds			
HSBC Liquidity Funds	AA-	396,765	300,049
Bank Deposit Accounts			
ACC Loans Fund Deposit	N/A	29,375	67,405
HSBC	AA-	12,161	12,261
Subtotal		**438,301**	**379,715**
Bank Current Accounts			
HSBC Bank	AA-	0	0
Virgin Money*	A	15	11
		15	**11**
Total		**438,316**	**379,726**

* *Clydesdale Bank trading as Virgin Money*

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund ensures that it has adequate cash resources to meet its commitments. The Fund has immediate access to its cash holdings.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2026 the value of illiquid assets was £1,545,630,366 which represented 23.6% of the Total Net Assets of the Fund (31 March 2025 £1,471,500,571 which represented 23.6% of the Total Net Assets of the Fund).

Note 20a: Long Term Assets

	31 March 2025 £'000	31 March 2026 £'000
Insurance Buy in Contract	122,379	119,000
Long Term Debtors	145	115
Total Long Term Assets	**122,524**	**119,115**

Note 20b: Current Assets

	31 March 2025 £'000	31 March 2026 £'000
Employees' Contributions due	3,247	3,292
Employers' Contributions due	6,999	6,882
Sundry Debtors	4,087	5,196
Subtotal	**14,333**	**15,370**
Bank	15	11
Total Current Assets	**14,348**	**15,381**

Note 20c: Current Liabilities

	31 March 2025 £'000	31 March 2026 £'000
Sundry Creditors	(28,916)	(22,423)
Benefits Payable	(9,544)	(10,862)
Total Current Liabilities	**(38,460)**	**(33,285)**



Note 21: Related Party Transactions

Both the UK and Scottish Governments have a significant influence over the general operations of the Fund. They are responsible for providing the statutory framework within which the Fund operates and prescribes the terms of benefit payments to the Fund's membership. Members' benefit payments are shown in Notes 6 and 7.

The Fund's related party transactions with the Administering Authority, i.e. Aberdeen City Council, are:

	31 March 2025 £'000	31 March 2026 £'000
Income:		
Contributions Receivable	30,646	30,797
Loans Fund Interest	1,329	1,345
Excess Pensions	2,632	2,600
Strain on Fund	1,692	705
Expenditure:		
Central Support Services	2,270	605
Accommodation – 2 Marischal Square	392	452
Debtors:		
Contributions Due	2,539	2,450
Excess Pensions Due	363	362
Creditors:		
Central Support Services Payable	616	616
Cash Balances:		
ACC Loans Fund Deposit	29,375	67,405

Audit Scotland are the appointed External Auditors of the Fund and Aberdeen City Council. They attend the Pensions Committee and Pension Board meetings. Their fee is disclosed in Note 8a.



Note 22: Key Management Personnel

Certain employees of Aberdeen City Council hold key positions in the financial management of the North East Scotland Pension Fund. Two employees were identified and their financial relationship with the Fund (expressed as an accrued pension) is set out below:

		Accrued Pension 2024/25 £'000	Accrued Pension 2025/26 £'000
Andy MacDonald	Director of Corporate Services (With effect from 12 September 2026, Interim Chief Executive)	48	52
Jonathan Belford	Chief Officer - Finance	54	56

Governance

As at 31 March 2026, 6 members of the Pensions Committee and 8 members of the Pension Board were active members or pensioners of the North East Scotland Pension Fund.

Each member of the Pensions Committee and Pension Board is required to declare any financial and non-financial interest they have in the items of business for consideration at each meeting, identifying the relevant agenda items and the nature of their interest. Conflicts of Interest are managed in accordance with the Conflicts of Interest Policy or Codes of Conduct for Councillors or Employees. A list of Declared Interests are disclosed in Appendix 3.



The Fund's related party transactions with those declared interests are:

2025/26	Income		Debtors
	Contributions Receivable £'000	Excess Pensions £'000	Contributions Due £'000
Aberdeen Endowments Trust	20	0	2
Aberdeen Heat & Power	42	0	0
Aberdeen Performing Arts	82	6	6
Aberdeen Sports Village	79	0	0
Grampian Valuation Joint Board	507	23	40
NESCOL	1,888	45	162
NESS	234	0	13
Sport Aberdeen	206	0	0

2024/25	Income		Debtors
	Contributions Receivable £'000	Excess Pensions £'000	Contributions Due £'000
Aberdeen Endowments Trust	22	0	0
Aberdeen Heat & Power	40	0	0
Aberdeen Performing Arts	90	5	7
Aberdeen Sports Village	42	0	4
Grampian Valuation Joint Board	471	25	41
NESTRANS	104	0	10
NESCOL	1,924	46	152
NESS	143	0	10
Robert Gordon University	4,960	57	386
Sport Aberdeen	197	0	0

For the above related parties there were no expenditure transactions and no outstanding creditor balances for both years.

Note 23: Contractual Commitments as at 31 March 2026

As at 31 March 2026 the NESPF had contractual commitments in respect of Private Equity/Debt and Global Real Estate portfolios. The undrawn commitments are outstanding call payments £481.388m (£405.992m 31 March 2025):

	Contractual Commitments £'000	Undrawn Commitments £'000
HarbourVest	634,569	193,792
Partners Group	88,248	18,242
Maven (SLF)	6,264	0
Unigestion	144,167	56,893
AAM Residential Property	30,000	2,423
Hermes Infrastructure	100,000	11,152
Alcentra EDL	85,552	39,533
Hayfin DLF	212,374	156,990
Blackrock Renewable	75,832	8,890
Allianz Home Equity	25,000	0
IFM Global Infrastructure	350,000	50,000
Total	**1,752,006**	**537,915**

Note 24: Additional Voluntary Contributions (AVC)

Additional Voluntary Contributions are not included in the Pension Fund's Accounts. Members of the North East Scotland Pension Fund are included in the following tables. The amount of Additional Voluntary Contributions paid by members during the year is shown as income in the table below:

2024/25 £'000	Income (AVCs Paid by Members)	2025/26 £'000
10	Standard Life	12
5,955	Prudential	6,823

The closing Net Assets values represent the value of the separately invested Additional Voluntary Contributions. These closing values are subject to revaluation.

Market Value 31 March 2025 £'000	Additional Voluntary Contributions	Market Value 31 March 2026 £'000
810	Standard Life	778
24,161	Prudential	28,293

Note 25: Contingent Assets/Liabilities

The North East Scotland Pension Fund currently holds one cash bond in respect of the participating employers within the fund. The bond guards against the possibility of being unable to recover pension liabilities from this Admission Body should they terminate their participation of the Scheme. A high level review of the bond requirements for the participating employers within the Fund was undertaken by the Scheme Actuary in 2024 following the completion of the triennial valuation to determine if any bonds needed to be put into place for the protection of the Scheme guarantors and the other participating employers as a whole. As a result of the bond review and the positive funding position it was determined that no amendments needed to be made at this time. A new review of any bond requirement will be carried out following completion of the next valuation in 2026.

The pension liabilities for all Transferee Admission Bodies are guaranteed by the originating employer as per Regulation 61(5)(a) of the Local Government Pension Scheme (Scotland) Regulations 2018. In addition the Fund has secured guarantors for some of the Community Admission Bodies who provide services within local authorities. In total, the Fund has secured guarantees for 19 Admission Bodies currently participating in the Scheme.

Employer Breach: A participating employer advised the NESPF that it reported a breach of the LGPS (Scotland) regulations to The Pensions Regulator (tPR), which may result in an adjustment to the assets and liabilities held. The breach relates to bonus payments that had not been treated as pensionable since their introduction in 2002. Having sought legal clarification on this, the employer acknowledges that these payments should have been pensionable under the regulations.

A rectification exercise will need to be undertaken to ensure all impacted members are reinstated into the position that they would have been had these payments been treated appropriately from the beginning. Following notification, a joint Breach of Law report has been submitted to tPR on behalf of the NESPF and two other Scottish LGPS Funds.

Currently, discussions are ongoing between the affected Funds and the employer to determine a rectification approach. Both legal and actuarial advice has been sought by the Funds to help determine the appropriate funding approach and legal implications of any agreement sought. It is expected that a payment of additional member contributions will be received by the Fund. The NESPF is not yet in a position to quantify any payments due or the impact on the liabilities that will arise as a result of recalculating member benefits, however, they are not expected to be material.

The rectification exercise is expected to impact on the majority of members (3,084) held for the employer and across all members statuses including deferred, active and pensioner members. The exercise to recalculate and amend pension records is expected to be complete by the end of the financial year 2027/28.

The Fund is working with all participating employers to ensure that they are applying the correct definition of pensionable pay and that there are no further instances of underpaid contributions.

Note 26: Impairment for Bad and Doubtful Debts

The risk of employers being unable to meet their pension obligations is managed through the NESPF Termination Policy and the NESPF Employer Covenant Assessment Policy which are embedded within the Funding Strategy Statement. During 2025/26 two admission bodies exited from the Fund. One admission body made the decision to exit the scheme following a consultation with staff participating in the Scheme and the other admission body terminated as a result of going into administration and closure of the services provided. Following these termination events, the assets and liabilities for each employer were assessed by the Scheme Actuary. The Actuary's assessment is to determine the funding level and the deficit or surplus held at the date of exit, in accordance with the regulations. The actuary identified a surplus for both of these employers with one exit credit having been paid and the other exit still to be finalised. Following payment of an exit credit termination certificates, signed by the Scheme Actuary, are issued to the employers to confirm that the liabilities had been discharged.

Note 27: Investment Principles

A summary of the Statement of Investment Principles is available on our website: **www.nespf.org.uk/about/policies-and-statements/**. A full version of the Statement of Investment Principles is available on request from Executive Director of Corporate Services, Aberdeen City Council, Level 1 West, Business Hub 7, Marischal College, Broad Street, Aberdeen, AB10 1AB.

The Statement of Investment Principles is reviewed on an annual basis by the Pensions Committee and following any change to the investment strategies of the Pension Fund.

Note 28: Critical Judgements in applying Accounting Policies

Assumptions made about the future and other major sources of estimation uncertainty. The items in the Net Assets Statement as at 31 March 2026 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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 several complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets.	The methodology used by the Scheme Actuary is in line with accepted guidelines. Further to the Fund's liability being calculated every three years, an update of the funding position is calculated by the Scheme Actuary every 3 months. Further information can be found in Note 2.
Direct Property Private Equity Private Debt & Pooled Infrastructure (Unquoted)	Private equity/debt and unquoted pooled infrastructure investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	See note 18d for the sensitivity analysis. There is a risk that these investments may be under or overstated in the accounts.
Insurance Buy In Contract	The Insurance Buy In Contract is included in the Net Assets Statement as an Asset and is valued at year end by the Scheme Actuary. The insurer underwrites the risk of meeting the liabilities of a group of pensioners within the Fund. Key assumptions are the Discount Rate and Life Expectancy.	Further information can be found in Note 18d Sensitivity Analysis.

Note 29: Events after the Balance Sheet Date

The Unaudited Statement of Accounts was authorised for issue by the Chief Officer – Finance on 19 June 2026. Events taking place after this date are not reflected in the Annual Accounts or Notes. Where events taking place before this date provided information about conditions existing at 31 March 2026, the figures in the Annual Accounts and Notes have been adjusted in all material respects to reflect the impact of this information. No such adjustments have been required.

Note 30: Agency Arrangement for Administering Compensatory 'Added' Years

The North East Scotland Pension Fund administers compensatory 'added' years payments for those awarded up to 2011. The Fund acts as an agent of employing bodies, in respect of staff that have had their pension augmented under The Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998.

The cash flows in respect of the relevant employing bodies and associated payroll cost for those compensatory 'added' years payments are:

	2024/25 £'000	2025/26 £'000
Cost incurred/(recovered) on behalf of:		
Aberdeen City Council	2,632	2,601
Aberdeenshire Council	1,483	1,457
Moray Council	738	711
Scottish Water	1,460	1,462
Other	287	262
Total	**6,600**	**6,493**

	2024/25 %	2025/26 %
Associated Payroll Cost	**4**	**4**





Independent Auditor's Report

Independent Auditor's Report

Independent auditor's report to the members of Aberdeen City Council as administering authority for North East Scotland Pension Fund and the Accounts Commission

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual report of North East Scotland 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 Assets 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 my 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

I conducted my 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. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 3 April 2023. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

Non-audit services prohibited by the Ethical Standard was not provided to the council as administering authority for the fund. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I 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 I have performed, I 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, I 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

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Chief Officer - Finance and the Pensions Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Officer - Finance 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 Chief Officer - Finance 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 Chief Officer – Finance 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

My 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 my 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. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- **using my 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 Chief Officer - Finance and the Chief Officer – Governance as to other laws or regulations that may be expected to have a fundamental effect on the operations of the fund;**
- **inquiring of the Chief Officer - Finance and the Chief Officer – Governance concerning the fund's policies and procedures regarding compliance with the applicable legal and regulatory framework;**
- **discussions among my 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 my 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 my auditor's report.

Reporting on other requirements

Other information

The Chief Officer - Finance 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 my auditor's report thereon.

My 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 my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I 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 my 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 I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my 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, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Michael Oliphant

Michael Oliphant, FCPFA
Audit Director

Audit Scotland 4th Floor
102 West Port Edinburgh EH3 9DN

30 September 2026



Appendices

Appendix 1 – Statement by the Consulting Actuary

North East Scotland Pension Fund ("the Fund") Actuarial Statement for 2025/26

This statement has been prepared in accordance with Regulation 55(1)(d) of the Local Government Pension Scheme (Scotland) Regulations 2018. 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:

- **To establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward by taking a prudent longer term view of funding those liabilities to ensure the solvency of each individual employers' share of the Fund based on their expected term of participation in the Fund**
- **To establish contributions at a level to "secure the solvency" of the pension fund and the "long term cost efficiency" to minimise the degree of short-term change in employer contribution rates**
- **To have regard to the desirability of maintaining as nearly constant a Primary rate of contribution as possible to help employers manage their pension liabilities**

In accordance with the FSS, if a funding shortfall is calculated at the valuation date, a deficit recovery plan will be implemented, necessitating additional contributions to address the shortfall. Conversely, if there is a funding surplus, it may be appropriate to use this surplus to offset contributions for future service, potentially leading to a reduction in contributions required from employers. Any deficit recovery or surplus offsetting contributions are referred to as the "secondary rate". The FSS outlines the procedure for establishing the recovery plan for each employer in the Fund.

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 2018 was as at 31 March 2023. This valuation revealed that the Fund's assets, which at 31 March 2023 were valued at £5,804 million, were sufficient to meet 126% 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 £1,190 million.

Each employer had contribution requirements set at the valuation. 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.

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	For past service liabilities	For future service liabilities
Discount rate	4.6%	4.10%
Salary increase assumption	4.10%	4.10%
Benefit increase assumption (CPI)	2.60%	2.60%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions were based on the SAPs tables with appropriate weightings as set out in the 2023 valuation report. Future improvements are set in line with the CMI 2022 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0% and a long term rate of 1.75% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	20.8 years	23.1 years
Future Pensioners*	22.4 years	25.2 years

** Aged 45 at the 2023 Valuation*

Copies of the 2023 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund's website.

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.

Prepared by:-

Greer Flanagan FFA C.Act

26 May 2026

For and on Behalf of Hymans Robertson LLP

Appendix 1a – Additional Considerations

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2025/26 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the North East Scotland Pension Fund. ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19.

There are three options for its disclosure in the pension fund accounts:

- **showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;**
- **as a note to the accounts; or**
- **by reference to this information in an accompanying actuarial report.**

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present value of promised retirement benefits

Year ended	31 March 2026	31 March 2025
Active members (£m)	1,832	1,651
Deferred members (£m)	710	693
Pensioners (£m)	1,805	1,845
Total (£m)	**4,347**	**4,189**

The promised retirement benefits at 31 March 2026 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2025. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2026 and 31 March 2025. I estimate that the impact of the change in financial assumptions to 31 March 2026 is to decrease the actuarial present value by £94m. I estimate that the impact of the change in demographic assumptions is to increase the actuarial present value by £26m.

Year ended	31 March 2026	31 March 2025
	% p.a	% p.a
Pension Increase Rate (CPI)	3.00%	2.75%
Salary Increase Rate	4.50%	4.25%
Discount Rate	6.20%	5.80%

Demographic assumptions

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2025 model, with core parameterisation, initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.3 years	23.5 years
Future pensioners (assumed to be aged 45 at the latest valuation date)	22.6 years	25.2 years

All other demographic assumptions are unchanged from last year and are as per the latest funding valuation of the Fund.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the obligations are set out below:

Change in assumption at 31 March 2026	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in the Discount Rate	2%	70
1 year increase in member life expectancy	4%	174
0.1% p.a. increase in the Salary Increase Rate	0%	4
0.1% p.a. increase in the Rate of CPI Inflation	2%	66

Professional notes

This paper accompanies the 'Accounting Covering Report – 31 March 2026' which identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-

Greer Flanagan FFA
Partner and LGPS Actuary

16 May 2025

For and on Behalf of Hymans Robertson LLP



Appendix 2 – Schedule of Employers

North East Scotland Pension Fund

	Employers as at 31 March 2025	New Admissions	Ceased	Employers as at 31 March 2026
Scheduled Bodies	9	0	0	9
Admission Bodies	27	0	(2)	25
Total	**36**	**0**	**(2)**	**34**

Ceased during 2025/26

1. Mental Health Aberdeen — Admitted
2. Robert Gordon's College — Admitted

Participating Employers as at 31 March 2026:

1. Aberdeen City Council — Scheduled
2. Aberdeenshire Council — Scheduled
3. Grampian Valuation Joint Board — Scheduled
4. Moray College — Scheduled
5. Moray Council — Scheduled
6. NESTRANS — Scheduled
7. North East Scotland College — Scheduled
8. Scottish Police Authority — Scheduled
9. Scottish Water — Scheduled
10. Aberdeen Endowments Trust — Admitted
11. Aberdeen Foyer — Admitted
12. Aberdeen Heat & Power Ltd — Admitted
13. Aberdeen Performing Arts — Admitted
14. Aberdeen Sports Village — Admitted
15. Alcohol and Drugs Action — Admitted
16. Bon Accord Care Ltd — Admitted
17. Bon Accord Support Services Ltd — Admitted
18. Community Integrated Care (Inspire Legacy Staff) — Admitted
19. Fersands and Fountain Community Project — Admitted
20. Forth and Oban Ltd — Admitted
21. Fraserburgh Harbour Commissioners — Admitted
22. HomeStart Aberdeen — Admitted
23. Idverde UK — Admitted
24. North East Sensory Services — Admitted
25. Outdoor Access Trust for Scotland — Admitted
26. Pathways — Admitted
27. Peterhead Port Authority — Admitted
28. Printfield Community Project — Admitted
29. Robert Gordon University — Admitted
30. Robertsons Facilities Management (City) — Admitted
31. Robertsons Facilities Management (Shire) — Admitted
32. Scottish Lighthouse Museum — Admitted
33. Sport Aberdeen — Admitted
34. Station House Media Unit — Admitted

Appendix 3 – Declared Interests

In 2025/26 Members/Key Management Personnel had disclosed an interest that is included within the following list:

- Aberdeen Agency
- Aberdeen Bulawayo Trust
- Aberdeen City Council
- Aberdeen City Heritage Trust
- Aberdeen Civil Service Curling Club
- Aberdeen Council for Voluntary Organisations
- Aberdeen Endowments Trust
- Aberdeen Football Club
- Aberdeen Heat and Power
- Aberdeen International Airport
- Aberdeen Lads Club
- Aberdeen Outdoor Access Forum
- Aberdeen Performing Arts
- Aberdeen Science Centre
- Aberdeen Sports Village
- Aberdeen Water Safety Group
- Aberdeenshire Council
- Aberdeen Renewable Energy Group (AREG)
- Association of Public Service Excellence (APSE)
- Asylum Books and Games Ltd
- BAE Systems
- Bridge of Don Thistle Football Club
- Bridge of Don Thistle Juniors Football Club
- Carbon Reduction Analysts Ltd
- Care and Repair Initiative Scotland
- Chris Anderson Trust
- Conservation Area Regeneration Scheme Project
- COSLA Health and Social Care Board
- Cruden Bay Golf Club
- East Grampian Coastal Partnership
- Enquest Britain Limited
- FirstGroup PLC
- Friends of the Gordon Highlanders Museum
- Friends of Waverley
- Glover House Trust
- GMB
- Gordon Highlanders Advisory Group
- Grampian Valuation Joint Board
- Granite City Speakers Club
- Historic Scotland
- Hopeville Social Club
- Institute of Chartered Accountants Scotland
- Kellas Midstream Ltd
- Limited Liabilty Partnership (LLP) Board
- Lloyds Banking Group PLC
- Longhaven District Hall Association
- Longhaven Social Club
- MacDonald Art Committee
- Modern Money Scotland
- Moray Council
- Moray Leisure Limited
- North East Sensory Services (NESS)
- NESS Energy
- North East Agricultural Committee
- North East Agriculture Advisory Committee
- North East Scotland College
- North East Scotland Fisheries Development Partnership
- Northern Roads Collaboration Joint Committee
- Oakbank School
- Proctor Orphanage Trust
- Punk Anatomist Personal Training and Yoga
- Robb's Trust
- Royal Society for Public Health
- Rubislaw Field Committee
- Saga PLC
- Santander PLC
- Scotch Malt Whisky Society
- Scotonomics Podcast Youtube Show
- Scottish National Party
- Sport Aberdeen
- SSE plc
- St Johns Scotland
- The Integration Joint Board
- The Royal Environment Health Institute
- UCATT
- UHI Foundation
- UNISON
- UNITE
- The Vestry, St. Mary's, Carden Place
- Veteran Champions
- World Energy Cities Partnership

Appendix 4 – IAS16 Note to Account

Lease of 1st Floor, 2 Marischal Square, Broad Street, Aberdeen

Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
1	71,647.50	71,647.50	71,647.50	71,647.50	286,590.00
2	71,647.50	71,647.50	71,647.50	71,647.50	286,590.00
3	71,647.50	71,647.50	71,647.50	71,647.50	286,590.00
4	71,647.50	71,647.50	71,647.50	71,647.50	286,590.00
5	71,647.50	71,647.50	71,647.50	71,647.50	286,590.00
6	90,871.60	90,871.60	90,871.60	90,871.60	363,486.40
7	90,871.60	90,871.60	90,871.60	90,871.60	363,486.40
8	90,871.60	90,871.60	90,871.60	90,871.60	363,486.40
9	90,871.60	90,871.60	90,871.60	90,871.60	363,486.40
10	90,871.60	90,871.60	90,871.60	90,871.60	363,486.40
11	95,415.18	95,415.18	95,415.18	95,415.18	381,660.72
12	95,415.18	95,415.18	95,415.18	95,415.18	381,660.72
13	95,415.18	95,415.18	95,415.18	95,415.18	381,660.72
14	95,415.18	95,415.18	95,415.18	95,415.18	381,660.72
15	95,415.18	95,415.18	95,415.18	95,415.18	381,660.72
Total					5,158,685.60

Notes:

Lease Starts 01/07/2020

Increase of at least 5% after year 5

Increase of at least 5% after year 10

Lease ends 30/06/2035



Our Ref: PEN/GF
Your Ref:
Contact: Gary Ferguson
Direct Dial: 01224 053210
E-Mail: GarFerguson@nespf.org.uk
Date: 30 September 2026

Level 1
2 Marischal Square
Broad Street
Aberdeen
AB10 1LP

Email pensions@nespf.org.uk
Website www.nespf.org.uk

Michael Oliphant
Audit Director
Audit Scotland
4th Floor
102 West Port
EDINBURGH
EH3 9DN

Dear Michael

North East Scotland Pension Fund Annual Report and Accounts 2025/26

This representation letter is provided in connection with your audit of the annual report and accounts of North East Scotland Pension Fund (herein referred to as North East Scotland Pension Fund or the fund) for the year ended 31 March 2026 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the management commentary, annual governance statement and the governance compliance statement.

I confirm to the best of my knowledge and belief and having made such enquiries as I considered necessary, the following representations given to you in connection with your audit of the fund's annual report and accounts for the year ended 31 March 2026.

General

The fund and I have fulfilled our statutory responsibilities for the preparation of the 2025/26 annual report and accounts as set out in your 2025/26 Annual Audit Plan. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual report and accounts have been made available to you for the purposes of your audit. All transactions undertaken by the fund have been recorded in the accounting records and are properly reflected in the financial statements.

I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. As you have reported, there are no uncorrected misstatements.

Financial Reporting Framework

The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (2025/26 Code), the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of North East Scotland Pension Fund at 31 March 2026 and the transactions for 2025/26.

Accounting Policies and Estimates

All material accounting policies applied are as shown in the note included in the financial statements. The accounting policies are determined by the 2025/26 Code, where applicable. Where the 2025/26 Code does not specifically apply, I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to the fund's circumstances and have been consistently applied.

The methodology, significant assumptions, and data used in making accounting estimates are reasonable, and have been properly reflected and disclosed in the financial statements in accordance with the 2025/26 Code. Judgements made in making estimates have been based on the latest available and reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

Going Concern Basis of Accounting

I have assessed the fund's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on the fund's ability to continue as a going concern.

Assets

Investments

All assets at 31 March 2026 of which I am aware have been reported in the financial statements. For the year ended 31 March 2026, the amounts included in the net assets statement reflect investments managed/held both internally and externally by appointed fund managers and the global custodian on behalf of the fund. All assets have been valued and/or indexed in line with the accounting policies around asset valuations and fairly represent the values at 31 March 2026. In making these assertions, I am reliant on the opinions of the appointed fund managers. As far as we can reasonably ascertain, owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

I carried out an assessment at 31 March 2026 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified in the financial statements. I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2026. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised in the financial statements.

Long Term Assets

For the year ended 31 March 2026, the amount included in the net assets statement for the insurance buy-in contract is the valuation provided by the fund's actuary. The pension assumptions made by the actuary in this valuation have been considered and I confirm that they are consistent with management's own view.

Banking and Cash Flow Arrangements

North East Scotland Pension Fund maintains a separate bank account and while the account forms part of Aberdeen City Council's treasury management arrangements, the pension fund can demonstrate that there is no borrowing from the administering authority. Amounts due to the administering authority to cover daily cash flows such as payments through the council's systems are reimbursed on a regular basis.

Other Current Assets

On realisation in the ordinary course of the fund's business, the other current assets in the Net Assets Statements are expected, in my opinion, to produce at least the amounts at which they are stated. In particular adequate provision has, in my opinion, been made against all amounts owing which are known or may be expected to be irrecoverable.

Liabilities

All liabilities at 31 March 2026 of which I am aware have been recognised in the financial statements.

Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2026 of which I am aware where the conditions specified in IAS37, as adapted by the 2025/26 Code, have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2026. Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.

Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2026 or to reflect material changes in the assumptions underlying the calculations of the provisions and cash flows. The pension assumptions made by the actuary in the IAS 19 report for North East Scotland Pension Fund have been considered and I confirm that they are consistent with management's own view. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

Contingent assets/liabilities

There are no significant contingent assets/liabilities, other than those disclosed in Note 25 to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the financial statements. All known contingent assets/liabilities have been fully and properly disclosed in accordance with IAS37, as adopted by the 2025/26 Code.

Litigation and Claims

All known actual or possible legal claims have been disclosed to you and have been accounted for and disclosed in the financial statements in accordance with the 2025/26 Code.

Fraud

I understand my responsibilities for the design, implementation, and maintenance of internal control to prevent fraud and I believe I have appropriately fulfilled those responsibilities. I have provided you with all information in relation to:

- my assessment of the risk that the financial statements may be materially misstated because of fraud
- any allegations of fraud or suspected fraud affecting the financial statements
- fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

Laws and Regulations

I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Related Party Transactions

All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with IAS 24, as adopted by the 2025/26 Code. I have made available to you the identity of all of the fund's related parties and all the related party transactions of which I am aware.

Management Commentary

I confirm that the Management Commentary has been prepared in accordance with statutory guidance, and the information is consistent with the financial statements.

Corporate Governance

I confirm that North East Scotland Pension Fund has undertaken a review of the system of internal control during 2025/26 to establish the extent to which it complies with proper practices set out in *Delivering Good Governance in Local Government: Framework 2016*. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

I confirm that the Annual Governance Statement has been prepared in accordance with the *Delivering Good Governance in Local Government: Framework 2016* and the information is consistent with the financial statements. Other than the change in the council's chief executive, there have been no changes in the corporate governance arrangements, or issues identified, since 31 March 2026 which require to be reflected in the Annual Governance Statement or the annual accounts.

Events Subsequent to the Date of the Balance Sheet

All events subsequent to 31 March 2026 for which IAS 10, as adopted by the 2025/26 Code, requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely



Jonathan Belford
Chief Officer – Finance



Aberdeen City Council, Administering Authority for the Aberdeen City Council Pension Fund,
known as the North East Scotland Pension Fund