



North East Scotland Pension Fund

Unaudited Annual Accounts & Report

For the period 1 April 2025 to 31 March 2026

Contents

| | |
|--|-----|
| Management Commentary | 3 |
| 1. Foreword | 3 |
| 2. About the North East Scotland Pension Fund | 5 |
| 3. Administration 2025/26..... | 6 |
| 4. Pensions Committee & Pension Board..... | 7 |
| 5. Administration and Performance | 11 |
| 6. Financial Performance..... | 21 |
| 7. Economic and Market Background..... | 26 |
| 8. NESPF Investment Strategy..... | 33 |
| 9. Risk | 36 |
| 10. Funding Strategy Statement..... | 37 |
| 11. Statement of Investment Principles..... | 39 |
| 12. Environmental, Social and Governance Issues | 40 |
| 13. Acknowledgement | 46 |
| Statement of Responsibilities | 47 |
| Annual Governance Statement..... | 49 |
| Governance Compliance Statement..... | 53 |
| North East Scotland Pension Fund- Fund Account..... | 56 |
| North East Scotland Pension Fund- Net Assets Statement | 57 |
| Notes to the North East Scotland Pension Fund Accounts | 58 |
| Appendix 1 – Statement by the Consulting Actuary..... | 102 |
| Appendix 1a – Additional Considerations..... | 105 |
| Appendix 2 – Schedule of Employers | 108 |
| Appendix 3 – Declared Interests..... | 110 |
| Appendix 4 – IAS16 Note to Account | 112 |

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 £6.658bn 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, over 5,000 cases were successfully completed which 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 on a small group of members, going forward this technology will be rolled out to more members. 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, deliver the NESPF's first conference and continue to focus on our stewardship efforts.

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

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 has an asset value of £6.7 billion and 78,076 members. 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 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 | Rothsay 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 one which is allocated to Independent members of Aberdeen City Council. 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 | | | 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 | ✓ | ✓ | ✓ | ✓ | 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 (Chair) | Yes | | | Yes |
| The Moray Council | Cllr David Gordon (Vice Chair) | Yes | | | Yes |
| Aberdeenshire Council | Cllr Stephen Smith | Yes | | | Yes |
| UCATT | Gordon Walters | 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 |

| Pension 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 dependent | 5 days | 40 | 40 | 100% | 94% |
| Death of deferred/pensioner notification to dependent | 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 due to the system not being able to calculate specific scenarios. 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 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 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. Following the determination only a few transfer calculations remain outstanding as we await further information from other pension providers.

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 which will increase as member 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% | 98.9% | 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.

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 | |
|---|---|
| <p>£6,658m</p>  <p>Net Assets of the Fund at the end of the Year</p> | <p>£409m</p>  <p>Investment Return</p> |
| <p>£24m</p>  <p>Management Expenses</p> | |

| Key Statistics | |
|--|--|
| <p>34</p>  <p>Total Number of Employers</p> | <p>78,076*</p>  <p>Total Membership</p> |
| <p>1,528</p>  <p>Votes at AGMS</p> | <p>57.19%*</p>  <p>Members Registered for My Pension+</p> |
| <p>42.9</p>  <p>Staff Employed (FTE)</p> | <p>1,820</p>  <p>Members to Staff Ratio</p> |

*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 Aberdeen City Council Transport Fund (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) | (102,402) |
| Net Investment Income Change in Market Value Net Return on Investment | 181,752 | (342,832) | 532,616 | 231,435 | 409,019 |
| 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 | 313,206 |
| Fund Balance as at 31 March (Market Value) | 5,925,893 | 5,803,777 | 6,236,899 | 6,344,532 | 6,657,738 |

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 | 28,734 |
| 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 | 78,076 |

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 | 44.14 |
| Oversight and Governance Unit Cost per Member | 8.53 | 9.66 | 11.20 | 9.14 | 17.67 |
| Investment Management Unit Cost per Member | 331.61 | 231.11 | 283.03 | 264.92 | 242.60 |
| Total Cost per Member | 373.27 | 279.25 | 334.21 | 314.66 | 304.37 |

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 yr (% p.a) | 3yr (% p.a) | 5yr (% 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 | 21.3 | 22.5 | 21.2 | 22.5 |
| Property/Infrastructure | 15.5 | 20.0 | 15.5 | 20.0 |
| Cash/Other | 6.0 | 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:

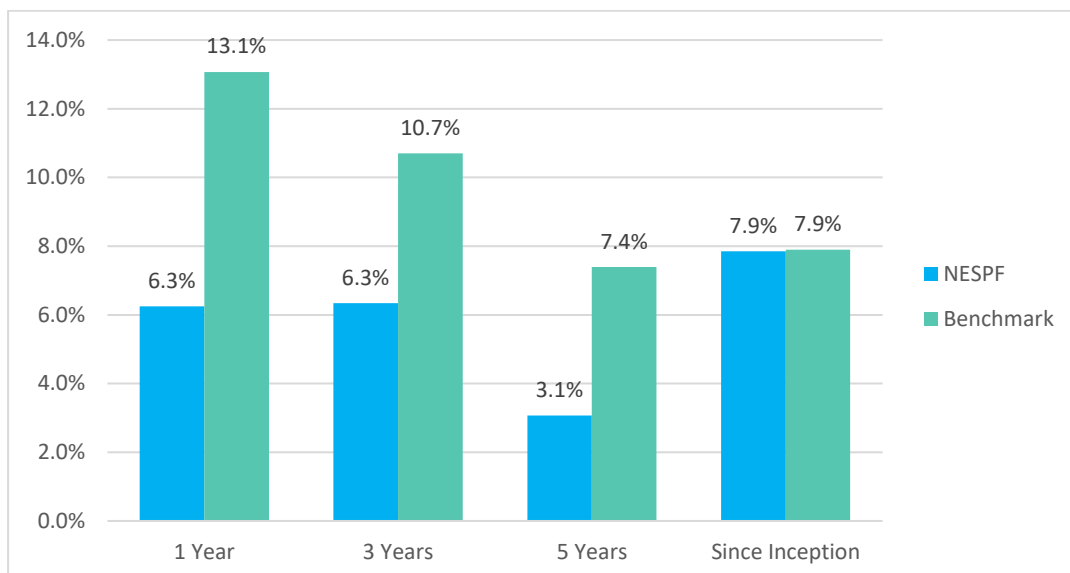
| | |
|---|----------------------|
| Equities | 50.0% (range +/- 5%) |
| Alternative Assets (including private equity) | 5.0% (range +/- 5%) |
| Bonds/Credit | 22.5% (range +/- 5%) |
| Property/Infrastructure | 20.0% (range +/- 5%) |
| Cash/Other | 2.5% (range +/- 5%) |

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. Performance trails benchmark for predominantly a couple of reasons. One, active Equity managers have produced softer returns in more recent times lagging their respective benchmarks and two, the composition of the benchmark has a high number of mandates benchmarked on a Cash +4.5% for example, which creates a high measurement yardstick (with 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.

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. This provides assurance that the Fund's Investment Strategy works and will continue to deliver the required returns over the longer term to look after our members.

The graph below shows the NESPFs 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 NESPFs 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.

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:

- a. 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.
- b. To establish contributions at a level to "secure the solvency" of the Pension Fund and the "long term cost efficiency".
- c. 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 it 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?

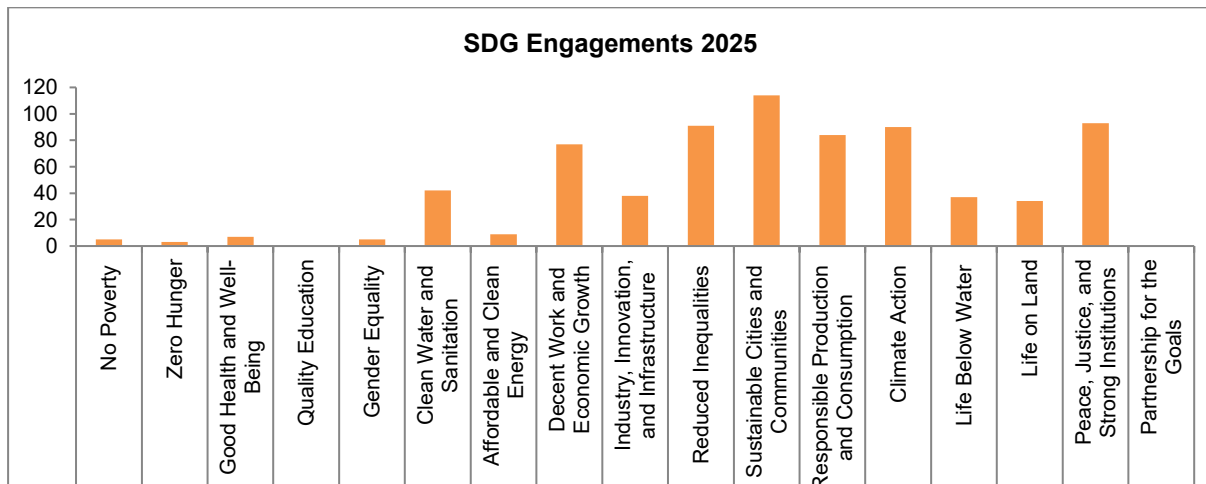
There are several things that we as an investor can do to make changes for the better.

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 assess 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/voting/>.

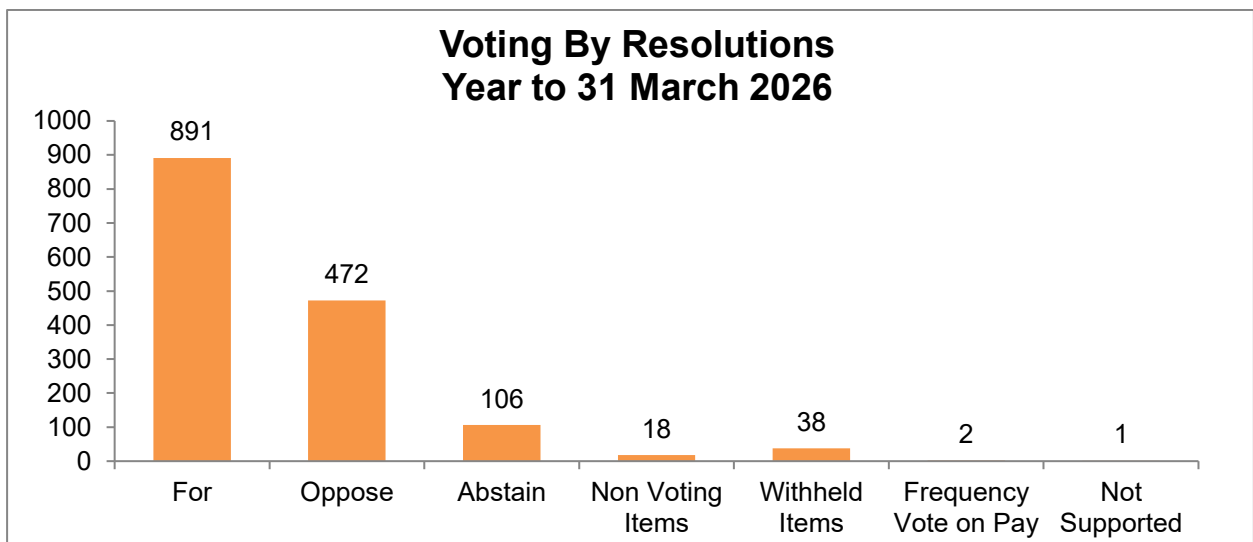
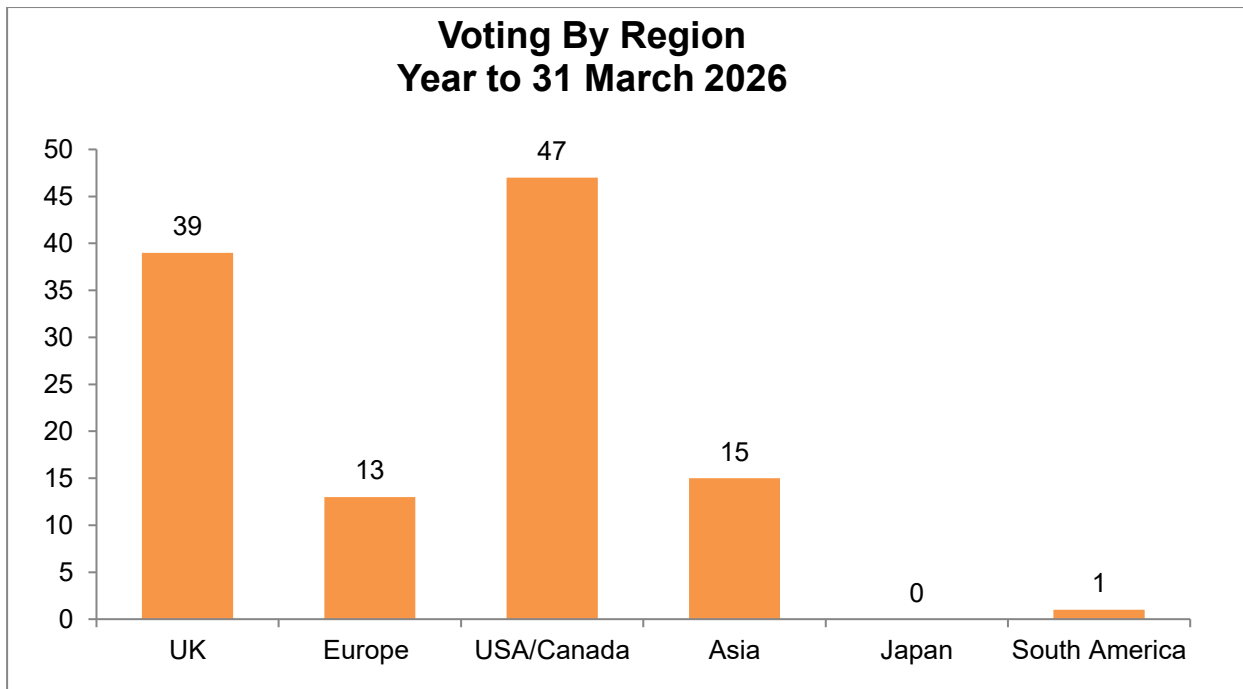
By working together, we and other investors can use our collective size to influence decision making and promote the highest standards of corporate governance and corporate responsibility.

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 1525 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.



Angela Scott
Chief Executive

Jonathan Belford, CPFA
Chief Officer – Finance

Councillor John Cooke
Pensions Committee Convener

On behalf of Aberdeen City Council

19 June 2026

Statement of Responsibilities

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

- a. 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.
- b. Manage their affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- c. 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).
- d. Approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Pensions Committee at its meeting on 19 June 2026.

Signed on behalf of Aberdeen City Council.

Councillor John Cooke
Pensions Committee Convener

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:

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

The Chief Officer - Finance has also:

- e. Kept adequate accounting records which are up to date;
- f. 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, CPFA
Aberdeen City Council, Chief Officer – Finance
19 June 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:

- a. Managing receipt of contributions from employees and employers and payment of benefits to retired members of the Fund;
- b. Review of financial and performance reports against forecasts, benchmarks and targets set;
- c. The preparation of regular financial reports which include funding updates and actual expenditure against forecasts; and
- d. Consideration of External and Internal Audit reports by the Audit, Risk and Scrutiny Committee and by the Pensions Committee.

These arrangements also include:

- a. A training programme to ensure that Pensions Committee and Pension Board members develop the required level of knowledge and understanding of the LGPS;
- b. 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;
- c. Monitoring the achievement of objectives by the Pensions Committee and Senior Officers;
- d. A systematic approach to monitoring service performance by the Pensions Committee, Senior Officers and stakeholders including benchmarking of services;
- e. A clear statement of risk combined with effective risk management arrangements. A risk register is updated and regularly reported to the Pensions Committee;
- f. The Monitoring Officer reports on any non compliance with laws and regulations of which the Pensions Committee are made aware;
- g. Operating within clearly established investment guidelines defined by the Local Government Pension Scheme Investment Regulations and the Fund's Statement of Investment Principles;
- h. Compliance with the CIPFA Principles for Investment Decision Making in the Local Government Pension Scheme and the Myners Principles on investment;
- i. Appropriate investment custody arrangements with a Global Custodian and access to the custodian's extensive internal control framework;
- j. 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 now in place to continue 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, and 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 Payroll with the outcome reported to the March 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/ojqpb231/public-reports-pack-20062025-1000-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.



Angela Scott
Chief Executive

Jonathan Belford, CPFA
Chief Officer – Finance

Councillor John Cooke
Pensions Committee
Convener

On behalf of Aberdeen City Council

19 June 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 | |
| <p>a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary Committee structure. These include:</p> <ul style="list-style-type: none"> 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 |
| a) 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. | |
| 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 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/.



Angela Scott
Chief Executive

Jonathan Belford, CPFA
Chief Officer – Finance

Councillor John Cooke
Pensions Committee Convener

On behalf of Aberdeen City Council

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 | 2025/26 |
|--|-------|---------------------------|---------------------------|
| | | £'000 | £'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 | 4a | (3,744) | (5,212) |
| Other Income | | (4) | (2) |
| Additions | | <u>(152,263)</u> | <u>(153,169)</u> |
| 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 | | <u>256,909</u> | <u>231,807</u> |
| 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) | (82,420) |
| Taxes on Income | 9 | 724 | 0 |
| Profits and Losses on Disposal of Investments and Changes in Market Value of Investments | 10 | (146,769) | (326,599) |
| Net Return on Investments | | <u>(231,435)</u> | <u>(409,019)</u> |
| 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) | (313,206) |
| Opening Net Assets of the Fund | | (6,236,899) | (6,344,532) |
| Closing Net Assets of the Fund | | <u>(6,344,532)</u> | <u>(6,657,738)</u> |

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 | 2025/26 |
|---|-------|-------------------------|-------------------------|
| | | £'000 | £'000 |
| Investment Assets | | | |
| Equities | | 2,060,020 | 2,064,556 |
| Pooled Funds | 11 | 2,745,467 | 3,034,255 |
| Direct Property | 15 | 383,364 | 429,300 |
| Private Equity | | 531,672 | 549,098 |
| Private Debt | | 83,984 | 98,189 |
| Funds held by Investment Managers | | 408,926 | 312,321 |
| 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 | | <u>6,247,445</u> | <u>6,557,478</u> |
| Investment Liabilities | | | |
| Investment Purchases Amount Payable | | (1,325) | 0 |
| Net Investment Assets | | <u>6,246,120</u> | <u>6,557,478</u> |
| 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 | 14,430 |
| Current Liabilities | 20c | (38,460) | (33,285) |
| Net Current Assets/(Liabilities) | | (24,112) | (18,855) |
| Closing Net Assets of the Fund | | <u>6,344,532</u> | <u>6,657,738</u> |



Jonathan Belford, CPFA
Aberdeen City Council, Chief Officer – Finance
19 June 2026

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 change.

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 £1,285,269,665 (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:

IFRS 17 Insurance Contracts has been issued and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. NESPF does not issue insurance contracts within the scope of IFRS 17.

This amendment is not likely to affect Pension Fund transactions.

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 that have had an impact on the calculation of the 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 | 2025/26 |
|---|----------------|----------------|
| | £'000 | £'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 | 2025/26 |
|-------------------------|----------------|----------------|
| | £'000 | £'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 4a: Transfers In from other Pension Funds

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

Note 5: Employers' Surplus Refunds/Exit Payments

| | 2024/25 | 2025/26 |
|---|----------------|----------------|
| | £'000 | £'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 | 2025/26 |
|--|----------------|----------------|
| | £'000 | £'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 | 2025/26 |
|-------------------------|----------------|----------------|
| | £'000 | £'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 | 2025/26 |
|---|----------------|----------------|
| | £'000 | £'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 | 2025/26 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Pension Fund Staffing Costs – Administration | 1,836 | 1,952 |
| Information Technology | 645 | 689 |
| Supplies & Services | 150 | 161 |
| Accommodation | 571 | 631 |
| 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 |
| 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 below for a breakdown by asset class.

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 | Performance Fees | Direct Property Expenses | Transaction Costs | Total |
|-----------------|------------------------|-------------------------|---------------------------------|--------------------------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'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 | 1,349 | 125 | | | 1,474 |
| Subtotal | 10,674 | 6,036 | 973 | 1,096 | 18,779 |
| | | | | Custody Fees | 147 |
| | | | | Grand Total | 18,926 |

| 2024/25 | Management Fees | Performance Fees | Direct Property Expenses | Transaction Costs | Total |
|-----------------|------------------------|-------------------------|---------------------------------|--------------------------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'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 | Fees/ Tax | 2024/25 Total | Asset Type | Commission | Fees/ Tax | 2025/26 Total |
|-------------------|------------------|----------------------|-------------------|-------------------|------------------|----------------------|
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| 362 | 420 | 782 | Equities | 574 | 522 | 1,096 |
| 340 | 0 | 340 | Pooled Funds | 0 | 0 | 0 |
| 702 | 420 | 1,122 | Total | 574 | 522 | 1,096 |

Note 9: Investment Income

| | 2024/25 | 2025/26 |
|---|-----------------|-----------------|
| | £'000 | £'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 | 233 |
| Total | (85,390) | (83,010) |
| Tax | | |
| Withholding Tax – Equities | 724 | 590 |
| Total Tax | 724 | 590 |
| Net Total | (84,666) | (82,420) |

Note 10: Investment Assets

Reconciliation of Movements in Investments and Derivatives:

| | Market Value 31 March 2025 | Purchases | Sales | Change in Market Value | Market Value 31 March 2026 |
|-------------------------------------|---|------------------|--------------------|---------------------------------------|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Equities | 2,060,178 | 1,203,287 | (1,208,682) | 9,773 | 2,064,556 |
| Pooled Funds | 2,745,575 | 53,574 | (11,310) | 246,416 | 3,034,255 |
| Property | 383,190 | 34,970 | (10) | 11,150 | 429,300 |
| Private Equity | 531,674 | 57,838 | (97,006) | 56,592 | 549,098 |
| Private Debt | 83,984 | 21,264 | (13,629) | 6,570 | 98,189 |
| | 5,804,601 | 1,370,933 | (1,330,637) | 330,501 | 6,175,398 |
| Other | | | | | |
| Cash | 438,492 | | | | 379,726 |
| Investment Income Due | 2,579 | | | | 2,354 |
| Investment Sales Amount Receivable | 2,058 | | | | 0 |
| Investment Purchases Amount Payable | (1,301) | | | | 0 |
| Net Investment Assets | 6,246,429 | | | | 6,557,478 |

Reconciliation of Movements in Investment and Derivatives (continued):

| | Market Value 31 March 2024 | Purchases | Sales | Change in Market Value | Market Value 31 March 2025 |
|-------------------------------------|---|------------------|--------------------|---------------------------------------|---|
| | £'000 | £'000 | £'000 | £'000 | £'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 | 2025/26 |
|--------------------------------------|------------------|------------------|
| | £'000 | £'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 | 471,577 |
| Pooled Funds | 2,745,467 | 3,034,255 |
| Direct Property | 383,364 | 429,300 |
| Private Equity | 531,672 | 549,098 |
| Private Debt | 83,984 | 98,189 |
| Other Investments | 999,020 | 1,076,587 |
| Funds held by Investment Managers | 408,926 | 312,321 |
| 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 | 382,080 |
| Investment Assets Total | 6,247,445 | 6,557,478 |
| Investment Liabilities | | |
| Investment Purchases Amounts Payable | (1,325) | 0 |
| Investment Liabilities Total | (1,325) | 0 |
| Net Investment Assets | 6,246,120 | 6,557,478 |

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 | | 31 March 2026 | |
|--|------------------|--------------|------------------|---------------|
| | £'000 | % | £'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 | 1,059,458 | 15.9 |
| BlackRock Renewable Power III | 52,554 | 0.8 | 46,204 | 0.7 |
| Abrdn (Property) | 390,313 | 6.1 | 436,607 | 6.5 |
| Abrdn (Property Residential) | 29,533 | 0.5 | 19,487 | 0.3 |
| HarbourVest | 382,935 | 6.0 | 405,660 | 6.1 |
| ACC Loans Fund Deposit | 29,375 | 0.4 | 67,405 | 1.0 |
| Global Custodian | 383,104 | 6.1 | 269,296 | 4.1 |
| Partners Group | 27,156 | 0.5 | 25,351 | 0.4 |
| Maven Capital | 23 | 0.0 | 23 | 0.0 |
| Unigestion | 66,723 | 1.1 | 73,198 | 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 | 82,973 | 1.2 |
| Alcentra | 48,451 | 0.8 | 39,122 | 0.6 |
| Hayfin Direct Lending | 36,001 | 0.6 | 59,067 | 0.9 |
| Insight Credit | 371,476 | 5.9 | 371,908 | 5.6 |
| Allianz Home Equity | 25,306 | 0.4 | 25,383 | 0.4 |
| IFM Global Infrastructure | 336,287 | 5.3 | 342,508 | 5.1 |
| Schroders | 0 | 0.0 | 0 | 0.0 |
| | 6,246,119 | 98.5 | 6,557,478 | 98.5 |
| Net Long and Current Assets | | | | |
| Bank Account | 15 | 0 | 6 | 0 |
| Long Term and Current Debtors Less Creditors | 98,398 | 1.5 | 99,537 | 1.5 |
| | | | | |
| Net Assets | 6,344,532 | 100.0 | 6,657,021 | 100.00 |

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

| Security | Market Value 31 March 2025 | % of Net Investment Assets | Market Value 31 March 2026 | % of Net Investment Assets |
|---|---|---|---|---|
| | £'000 | | £'000 | |
| 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 | 342,508 | 5.22 |
| 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 | Collateral Percentage | 31 March 2026 | Collateral Percentage |
|-------------------------|----------------------|------------------------------|----------------------|------------------------------|
| | £'000 | | £'000 | |
| Stock on Loan | | | | |
| Equities | 246,142 | | 289,068 | |
| Total Exposure | 246,142 | | 289,068 | |
| | | | | |
| Total Collateral | 260,856 | 106% | 305,856 | 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-Revised | 2025/26 |
|---|-----------------|----------------|
| | £'000 | £'000 |
| Opening Balance | 381,000 | 383,190 |
| Purchases | 21,774 | 27,344 |
| Construction | 482 | 7,553 |
| Subsequent Expenditure | 55 | 73 |
| Disposals | (19,661) | (10) |
| Net Increase/(Decrease) in Market Value | (460) | 11,150 |
| Closing Balance | 383,190 | 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 | 2025/26 |
|---------------------------------|----------------|----------------|
| | £'000 | £'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 | Assets at Amortised Cost | Financial Liabilities at Amortised Cost | | Designated as Fair Value through Profit & Loss | Assets at Amortised Cost | Financial Liabilities at Amortised Cost |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| | | | Financial Assets | | | |
| 2,060,020 | | | Equities | 2,064,556 | | |
| 2,745,467 | | | Pooled Funds | 3,034,255 | | |
| 531,672 | | | Private Equity | 549,098 | | |
| 83,984 | | | Private Debt | 98,189 | | |
| | 438,301 | | Cash | | 379,726 | |
| | 4,637 | | Other Investment Balances | | 2,354 | |
| | 14,493 | | Debtors | | 133,135 | |
| 122,379 | | | Insurance Buy In | 119,000 | | |
| 5,543,522 | 457,431 | | Subtotal | 5,865,098 | 515,215 | |
| | | | Financial Liabilities | | | |
| | | (1,325) | Other Investment Balances | | | 0 |
| | | (38,460) | Creditors | | | (33,592) |
| | | (39,785) | | | | (33,592) |
| 5,543,522 | 457,431 | (39,785) | Financial Instruments Total | 5,865,098 | 515,215 | (33,592) |
| | | | Non-Financial Instruments | | | |
| 383,364 | | | Property | 429,300 | | |
| 5,926,886 | 457,431 | (39,785) | | 6,294,398 | 515,215 | (33,592) |
| | | 6,344,532 | Net Assets of the Fund | | | 6,776,021 |

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

| 31 March 2025 | | 31 March 2026 |
|----------------------|--|----------------------|
| £'000 | Financial Assets | £'000 |
| 147,229 | Fair Value through Profit and Loss | 319,351 |
| | Financial Liabilities | |
| 0 | Fair Value through Profit and Loss | 0 |
| 147,229 | Net Gains and Losses on Financial Instruments | 319,351 |
| | Non-Financial Instruments | |
| (460) | Fair Value through Profit and Loss | 11,149 |
| 146,769 | Net Gains and Losses of the Fund | 330,500 |

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 | Existing lease terms and rentals Independent market research Nature of Tendencies Covenant Strength for existing | |

| | | | | |
|---------------------------------------|---------|--|---|---|
| | | in accordance with the <i>RICS Valuation Professional Standard</i> | tenants Assumed vacancy levels Estimated rental growth Discount rate | |
| Unquoted Equity/Debt & Infrastructure | Level 3 | Comparable valuation of similar companies in accordance with <i>International Private Equity and Venture Capital Valuation Guidelines (2018)</i> | 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 | Level 2 | Level 3 | Total |
| | £'000 | £'000 | £'000 | £'000 |
| Financial Assets at Fair Value through Profit and Loss | 4,579,542 | | 1,285,150 | 5,864,692 |
| 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) | 4,579,542 | 0 | 1,714,450 | 6,293,992 |

| | Quoted Market Price | Using Observable Inputs | With Significant Unobservable Inputs | |
|---|---------------------------|-------------------------------|---|------------------|
| Values at 31 March 2025 | Level 1 | Level 2 | Level 3 | Total |
| | £'000 | £'000 | £'000 | £'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.

However, in 2025/26, Insurance Buy in Contract of £119.000m (£122.379m at 31 March 2025) and investment with Aviva of £47.691m (£57.766m at 31 March 2025) were recategorised to Level 3 as inputs used to value these investments are not observable.

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

| | Market Value 31 March 2025 | Purchases during the year & Derivatives Payments | Sales during the year & Derivative Receipts | Realised Gains & Losses | Unrealised Gains & Losses (a) | Market Value 31 March 2026 |
|--------------------------------------|-------------------------------|---|---|----------------------------|----------------------------------|-------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Direct Property | 383,190 | 34,970 | (10) | 10 | 11,140 | 429,300 |
| Infrastructure – Limited Partnership | 530,354 | 1,064 | (11,140) | (2,036) | 1,026 | 519,268 |
| Private Equity | 531,674 | 57,837 | (97,006) | 63,487 | (6,894) | 549,098 |
| Private Debt | 83,984 | 21,264 | (13,629) | 0 | 6,570 | 98,189 |
| Insurance Buy In | 122,379 | 0 | 0 | 0 | (3,379) | 119,000 |
| Total | 1,651,581 | 115,135 | (121,785) | 61,461 | 8,463 | 1,714,855 |

(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.

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 | Value on Increase | Value on Decrease |
|--|---|---------------------------------------|------------------------------|------------------------------|
| | | £'000 | £'000 | £'000 |
| Direct Property | 13% | 429,300 | 485,109 | 373,491 |
| Infrastructure – Limited Partnership | 13%/24% | 519,268 | 638,646 | 399,890 |
| Private Equity | 24% | 549,098 | 680,882 | 417,314 |
| Private Debt | 24% | 98,189 | 121,754 | 74,624 |
| Insurance Buy In | 24% | 118,594 | 147,056 | 90,131 |
| Total | | 1,714,449 | 2,073,447 | 1,355,450 |

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:

| | | Valuation 31 March 2026 | Valuation Increase | Valuation Decrease |
|------------------------------|-------------------|------------------------------------|-------------------------------|-------------------------------|
| Change in Assumptions | Adjustment | £m | £m | £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 | % Change | Value on Increase | Value on Decrease |
|--|--|---------------------|------------------------------|------------------------------|
| | £'000 | | £'000 | £'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 | 3,378,830 | 2,708,280 |
| Infrastructure - Other | 47,691 | 13.0 | 53,891 | 41,491 |
| Infrastructure - Limited Partnership | 471,577 | 24.0 | 584,755 | 358,399 |
| Private Equity | 549,098 | 24.0 | 680,882 | 417,314 |
| Private Debt | 98,189 | 24.0 | 121,754 | 74,624 |
| | | | | |
| Total | 5,746,097 | | 6,170,020 | 4,722,173 |

| Asset Type | Value as at 31 March 2025 | % Change | Value on Increase | Value on Decrease |
|--|--|---------------------|------------------------------|------------------------------|
| | £'000 | | £'000 | £'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 | 16.4 | 344,282 | 248,929 |
| Overseas Equities | 2,867,251 | 19.0 | 3,455,037 | 2,279,464 |
| Infrastructure - Other | 57,766 | 13.0 | 65,276 | 50,256 |
| Infrastructure - Limited Partnership | 472,480 | 24.0 | 595,325 | 349,636 |
| Private Equity | 531,672 | 24.0 | 669,907 | 393,437 |
| Private Debt | 83,984 | 24.0 | 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 | 379,726 |
| Cash Balances | 15 | 6 |
| Bonds | 1,111,451 | 1,199,735 |
| Total | 1,549,767 | 1,579,467 |

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 | 379,726 | 384,116 | 375,336 |
| Cash Balances | 6 | 6 | 6 |
| Bonds | 1,199,735 | 1,210,850 | 1,188,620 |
| Total | 1,579,467 | 1,594,972 | 1,563,962 |

| 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 | Asset Value as at 31 March 2026 |
|--|--|--|
| | £'000 | £'000 |
| Overseas Quoted Securities | 781,579 | 1,037,327 |
| Overseas Unquoted Securities | 613,353 | 648,599 |
| Overseas Unit Trusts | 1,807,422 | 2,090,535 |
| Total Overseas Assets | 3,202,354 | 3,776,461 |

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 Value 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 | 648,599 | 716,053 | 581,144 |
| Overseas Unit Trust | 2,090,535 | 2,307,951 | 1,873,119 |
| Total | 3,776,461 | 4,169,213 | 3,383,708 |

| Assets Exposed to Currency Risk | Asset Value 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 2026 £'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 | 12,272 |
| | | | |
| Subtotal | | 438,301 | 379,726 |
| | | | |
| Bank Current Accounts | | | |
| HSBC Bank | AA- | 0 | 0 |
| Virgin Money* | A | 15 | 6 |
| | | 15 | 6 |
| | | | |
| Total | | 438,316 | 379,732 |

*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 £1,548,164,054 which represented 23.3% of the Total Net Assets of the Fund (31 March 2025 £1,471,436,738 which represented 23.2% of the Total Net Assets of the Fund).

Note 20a: Long Term Assets

| | 31 March 2025 | 31 March 2026 |
|-------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Insurance Buy In Contract | 122,379 | 119,000 |
| Life Time Tax Allowance | 145 | 115 |
| | | |
| Total Long Term Assets | 122,524 | 119,115 |

Note 20b: Current Assets

| | 31 March 2025 | 31 March 2026 |
|------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Employees' Contributions due | 3,247 | 3,292 |
| Employers' Contributions due | 6,999 | 6,882 |
| Sundry Debtors | 4,087 | 4,245 |
| Subtotal | 14,333 | 14,419 |
| Bank | 15 | 10 |
| | | |
| Total Current Assets | 14,348 | 14,429 |

Note 20c: Current Liabilities

| | 31 March 2025 | 31 March 2026 |
|----------------------------------|-----------------|-----------------|
| | £'000 | £'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 | 31 March 2026 |
|------------------------------------|---------------|---------------|
| | £'000 | £'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 | 2,395 |
| Accommodation – 2 Marischal Square | 392 | 606 |
| 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 | Accrued Pension 2025/26 |
|------------------|-------------------------|------------------------------------|------------------------------------|
| | | £'000 | £'000 |
| Andrew MacDonald | Director of Resources | 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 | Excess Pensions | Contributions Due |
| | £'000 | £'000 | £'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 | Excess Pensions | Contributions Due |
| | £'000 | £'000 | £'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 commitment 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 | Undrawn Commitments |
|------------------------------|-------------------------|---------------------|
| | £'000 | £'000 |
| HarbourVest | 621,298 | 169,074 |
| Partners Group | 88,248 | 18,155 |
| Maven (SLF) | 6,307 | 22 |
| Unigestion | 144,167 | 64,739 |
| AAM Residential Property | 30,000 | 2,423 |
| Hermes Infrastructure | 100,000 | 9,447 |
| Alcentra EDL | 83,688 | 39,533 |
| Hayfin DLF | 170,623 | 119,105 |
| Blackrock Renewable | 75,832 | 8,890 |
| Allianz Home Equity | 25,000 | 0 |
| IFM Global Infrastructure | 350,000 | 50,000 |
| Total | 1,695,163 | 481,388 |

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 | Income (AVCs Paid by Members) | 2025/26 |
|----------------|--------------------------------------|----------------|
| £'000 | | £'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 | Additional Voluntary Contributions | Market Value |
|----------------------|---|----------------------|
| 31 March 2024 | | 31 March 2025 |
| £'000 | | £'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.

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, Board 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 Assumption |
|--|--|---|
| 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 | 2025/26 |
|--|--------------|--------------|
| | £'000 | £'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 |

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

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) | 22.6 years | 25.2 years |

| | | |
|--------------------------------------|--|--|
| at the latest valuation date) | | |
|--------------------------------------|--|--|

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

21 May 2026

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
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 Liability Partnership (LLP) Board

Longhaven District Hall Association
Longhaven Social Club
MacDonald Art Committee
Modern Money Scotland
Moray Council
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
Scotch Malt Whisky Society
Scotonomics Podcast Youtube Show
Scottish National Party
Sport Aberdeen
St Johns Scotland
The Integration Joint Board
The Royal Environment Health Institute
UCATT
UHI Foundation
UNISON
UNITE
The Vestry
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