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To: Councillor Cooke, Convener; Councillor MacGregor, Vice-Convener; and Councillors Davidson, Henrickson, Massey and van Sweeden (Pensions Committee); Mr A Walker Chairperson, Councillor Gordon, Vice-Chairperson, Councillor David Cameron, the Lord Provost; Councillor Smith, Mrs M Lawrence, Mr N Stirling, Mr S Thompson and Mr G Walters (Pension Board).

Town House,
ABERDEEN, 11 June 2026

PENSIONS COMMITTEE AND PENSION BOARD

The Members of the **PENSIONS COMMITTEE AND PENSION BOARD** are requested to meet in **the Council Chamber, Town House on FRIDAY, 19 JUNE 2026 at 10.00am. This is a hybrid meeting and Members may also attend remotely. The meeting will be webcast and a live stream can be viewed on the Council's website. https://aberdeen.public-i.tv/core/portal/home**

Pension Board Members, please note that the Annual Board meeting will be held directly after this meeting.

JENNI LAWSON
CHIEF OFFICER – GOVERNANCE

B U S I N E S S

NOTIFICATION OF URGENT BUSINESS

1.1. There are no items of urgent business at this time

DETERMINATION OF EXEMPT BUSINESS

2.1. Members are requested to determine that the exempt business be considered with the press and public excluded

DECLARATIONS OF INTEREST AND TRANSPARENCY STATEMENTS

3.1. Members are requested to intimate any declarations of interest

DEPUTATIONS

4.1. There are no deputations at this time

MINUTES OF PREVIOUS MEETINGS

5.1. Minute of Previous Meeting of 20 March 2026 - for approval (Pages 5 - 10)

COMMITTEE BUSINESS PLANNER

6.1. Business Planner (Pages 11 - 12)

NOTICES OF MOTION

7.1. There are no Notices of Motion

REFERRALS FROM COUNCIL, COMMITTEES & SUB-COMMITTEES

8.1. There are no referrals

INTERNAL AND EXTERNAL AUDIT

9.1. Internal Audit Annual Report 2025/26 - IA/26/012 (Pages 13 - 28)

9.2. Internal Audit Update Report - IA/26/010 (Pages 29 - 38)

9.3. Internal Audit Report AC2615 - Pension Fund Key Administrative Processes - IA/26/011 (Pages 39 - 54)

ANNUAL REPORT AND ACCOUNTS

10.1. Unaudited Annual Report and Accounts - PC/JUN26/ARA (Pages 55 - 170)

SCRUTINY

11.1. Strategy - PC/JUN26/STRAT (Pages 171 - 198)

11.2. Training - PC/JUN26/TRA (Pages 199 - 234)

11.3. LAPFF Nomination - PC/JUN26/LAPFF (Pages 235 - 244)

11.4. Project Atlas - PC/JUN26/ATLAS (Pages 245 - 252)

EXEMPT BUSINESS - NOT FOR PUBLICATION

12.1. Asset and Investment Management Performance Report - PC/JUN26/AIMPR (Pages 253 - 334)

Integrated Impact Assessments related to reports on this agenda can be viewed here
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PENSIONS COMMITTEE AND PENSION BOARD

ABERDEEN, 20 March 2026. Minute of Meeting of the PENSIONS COMMITTEE AND PENSION BOARD. Present:- Councillor Cooke, Convener; Councillor MacGregor, Vice-Convener; and Councillors Davidson, Henrickson, Massey (to article 11) and van Sweeden (Pensions Committee); and Mr A Walker, Chairperson; Councillor Gordon, Vice Chairperson; Councillor Smith and Mrs M Lawrence, Mr N Stirling, Mr S Thompson and Mr G Walters (Pension Board).

Also in attendance:- Jamie Dale, Internal Audit; Anne Macdonald, External Audit; Jonathan Belford, Chief Officer – Finance; Laura Colliss, Pension Fund Manager; and Graham Buntain, Investment Manager.

The agenda and reports associated with this minute can be located here.

Please note that if any changes are made to this minute at the point of approval, these will be outlined in the subsequent minute and this document will not be retrospectively altered.

DETERMINATION OF EXEMPT BUSINESS

1. The Committee was requested to determine that the following item of business which contained confidential and exempt information as described in Schedule 7(A) of the Local Government (Scotland) Act 1973 be taken in private – Items 11.1 (Procurement), 11.2 (Asset and Investment Management Performance) and 11.3 (Investment Strategy Update).

The Committee resolved:-
in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, to exclude the press and public from the meeting during consideration of the above-mentioned items so as to avoid disclosure of confidential information and exempt information of the classes described in paragraphs 8 (Item 11.1), 6 (Item 11.2) and 6 and 12 (Item 11.3).

MINUTE OF PREVIOUS MEETING

2. The Committee had before it the minute of its previous meeting of 12 December 2025 for approval.

The Committee resolved:-
to approve the minute as a correct record.

BUSINESS PLANNER

3. The Committee had before it the business planner as prepared by the Chief Officer – Governance.

The Committee resolved:-
to note the planner.

INTERNAL AUDIT PLAN 2026-29 - IA/26/005

4. The Committee had before it a report by the Chief Internal Auditor which sought approval of the Internal Audit plan for 2026-29.

The report recommended:-
that the Committee approve the Internal Audit Plan for 2026-29.

The Committee resolved:-
(i) to note that the Chief Officer – Finance would liaise with the Chief Internal Auditor to discuss how the participation of the Board could be accommodated in respect of future Internal Audit plans; and
(ii) to approve the recommendation.

INTERNAL AUDIT UPDATE REPORT - IA/26/004

5. The Committee had before it a report by the Chief Internal Auditor which provided an update on Internal Audit's work since the last report. Details were provided of the progress against the approved Internal Audit plans, audit recommendations follow up, and other relevant matters for the Committee.

The report recommended:-
that the Committee –
(a) note the progress of the Internal Audit plan; and
(b) note the progress that Management had made with implementing recommendations agreed in Internal Audit reports.

The Committee resolved:-
to approve the recommendations.

EXTERNAL AUDIT - ANNUAL AUDIT PLAN 2025/26

6. The Committee had before it a report by External Audit which provided an overview of the planned scope and timing of the 2025/26 audit of North East Scotland Pension Fund's (the Fund's) annual report and accounts. It outlined the audit work planned to meet the audit requirements set out in auditing standards and the Code of Audit Practice, including supplementary guidance.

<u>The Committee resolved</u>:-
(i) to request that the Chief Officer – Finance write on behalf of the Committee and Board to the relevant National Parties in respect of the governance concerns highlighted by External Audit in relation to the long-standing vacancies on the Committee; and
(ii) to note the report.

REVIEW OF NESPF COMPLIANCE WITH THE PUBLIC SERVICE PENSIONS ACT 2013 (PSPA 2013) AND PENSION REGULATOR REQUIREMENTS - PC/MAR26/GOV

7. The Committee had before it a report by the Chief Officer – Finance which set out a review of the North East Scotland Pension Fund's (the "Fund") compliance with the Public Service Pensions Act 2013 ("PSPA") and the Pensions Regulator's ("tPR") requirements during the financial year 2025/26.

The report recommended:-
that the Committee note the assurance provided in the main report.

<u>The Committee resolved</u>:-
(i) in relation to page 60 of the report and the gap analysis, to request that officers include detail in future reports of which processes were regulatory and which were advisory;
(ii) in relation to page 61 of the report, to note that officers would take on board the suggestion that future Cyber Security discussions involve speakers from other areas;
(iii) to note that the bulletin circulated to Members by the NESPF included detail of which training was mandatory;
(iv) to note that officers had undertaken to include some additional detail where possible in future bulletins in respect of the optional training offered to highlight any that was particularly recommended; and
(v) to note the report.

STATEMENT OF ACCOUNTS 2025/2026 - ACTION PLAN - PC/MAR26/ACCOUNTS

8. The Committee had before it a report by the Chief Officer – Finance which provided high level information and key dates in relation to the 2025/26 Statement of Accounts, including linkages to the plans and timetables of the Council's External Auditors.

The report recommended:-
that the Committee note the main report for assurance.

The Committee resolved:-
to note the report.

STRATEGY - PC/MAR26/STRAT

9. The Committee had before it a report by the Chief Officer – Finance which provided an update on various matters and provided recommendations (if applicable) to any changes to the North East Scotland Pension Fund.

The report provided an update on the Pensions increase / inflation; the consultation by the Scottish Public Pensions Agency (SPPA) in relation to amendments to The Local Government Pension Scheme (Scotland) Regulations; recent webinars presented by the NESPF Communications Team; new Pensions Administration Strategy performance reporting; staff training; and the valuation update.

The report further advised that changes had been made to the following documents:-

- Cyber Security Policy (minor amendments to correct grammar/increase clarity. Updated names of 3rd parties and added new paragraph around ongoing work with Aberdeen City Council to demonstrate commitment to mitigating overreliance risks)
- Governance Policy (updated Terms of Reference for the Pension Board)
- KPI Policy (new internal document, which set out KPI reporting arrangements)
- ERT Contributions Policy (new document which detailed NESPF policy on how the contributions are received and reconciled and what steps the Fund would take in the event of an over or under payment)

The report recommended:-
that the Committee –
(a) approve the updates to the Fund policy documents as set out in 6.2 of the main report; and
(b) note the remainder of the report for reassurance.

The Committee resolved:-
to approve the recommendations.

In accordance with the decision taken at article 1, the following items of business were considered with the press and public excluded from the meeting.

PROCUREMENT - PC/MAR26/PRO

10. The Committee had before it a report by the Chief Officer – Finance which sought approval to enter into contractual arrangements in relation to the provision of advisory services in respect of Additional Voluntary Contributions (AVCs) to meet the Fund's regulatory requirements under the Local Government Pension Scheme (Scotland) Regulations 2018.

The report recommended:-
that the Committee:-
(a) approve a direct award to the supplier set out in the report to provide advisory services in relation to AVCs, utilising the National Local Government Pension Scheme (LGPS) Framework; and
(b) approve the estimate expenditure associated with granting such approval as set out in the recommendations section of the main report.

The Committee resolved:-
to approve the recommendations.

ASSET AND INVESTMENT MANAGEMENT PERFORMANCE - PC/MARCH26/AIMPR

11. The Committee had before it a report by the Chief Officer – Finance which provided a review of the investment activity of the North East Scotland Pension Fund for the three month period ending 31 December 2025.

Members heard from Mr Buntain in respect of the detail set out in the report and asked a number of questions.

The report recommended:-
that the Committee note the contents of the report for assurance.

The Committee resolved:-
(i) in relation to the figures set out on page 134 of the report, and whether detail could be provided in respect of capital and gains, to note that the Investment Manager would discuss this further with the custodian and come back to the Committee and Board with any implications;
(ii) in relation to the acronym CCLA (page 162), to note that this referred to a fund manager which looked after the investments of many charities;
(iii) in relation to the number of voting abstentions (page 167), to note that the Investment Manager would liaise with PIRC (Pensions & Investment Research Consultants Ltd) to ascertain whether it was possible to provide detail to Councillor van Sweeden as to the reasons for abstention; and
(iv) to note the report.

INVESTMENT STRATEGY UPDATE - PC/MAR26/INVSTRAT

12. The Committee had before it a report by the Chief Officer – Finance which provided updates on a re-balancing change for a new Direct Lending mandate; the publication of the NESPF's first Task Force on Climate Disclosures report; and recent legal actions.

The report recommended:-
that the Committee note the contents of the report for assurance.

The Committee resolved:-
to note the report.
- **COUNCILLOR JOHN COOKE, Convener**

	A	B	C	D	E	F	G	H	I
1	**PENSIONS COMMITTEE BUSINESS PLANNER** The Business Planner details the reports which have been instructed by the Committee as well as reports which the Functions expect to be submitting for the calendar year.								
2	**Report Title**	**Minute Reference/Committee Decision or Purpose of Report**	**Update**	**Report Author**	**Chief Officer**	**Directorate**	**Terms of Reference**	**Delayed or Recommended for removal or transfer, enter either D, R, or T**	**Explanation if delayed, removed or transferred**
3	**19 June 2026**								
4	Nominations to LAPFF Executive Committee	To determine any nominations		Laura Colliss	Finance	Corporate Services	6.1		
5	Strategy	Regular update on any changes to the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund strategies		Mairi Suttie	Finance	Corporate Services	1.2, 1.4, 3-5		
6	Internal Audit Annual Report 2025/26	To present the annual report		Jamie Dale	Internal Audit	Internal Audit	2.2		
7	Project Atlas	To provide an update		Claire Mullen	Finance	Corporate Services	4.1 and 4.2		
8	Internal Audit Update report	To provide the Committee with an update on Internal Audit's work since the last update		Jamie Dale	Internal Audit	Internal Audit	2.2		
9	AC2615 - Pension Fund Key Administrative Processes	To present the planned Internal Audit report on the Pension Fund Key Administrative Processes		Jamie Dale	Internal Audit	Internal Audit	2.2		
10	Asset and Investment Manager Performance Report	To provide a review of the North East Scotland Pension Fund for the latest three month period		Graham Buntain	Finance	Corporate Services	5.2		
11	Training	To provide details of the training plan (2026/27)		Laura Colliss	Finance	Corporate Services	4.1 and 4.2		
12	Draft NESPF Annual Report & Accounts	To present the draft annual accounts		Laura Colliss	Finance	Corporate Services	3.1		
13	**11 September 2026**								
14	NESPF Annual Report & Accounts	To present the audited annual accounts		Laura Colliss	Finance	Corporate Services	3.1		
15	NESPF Annual Audit Report and Covering Letter	To present the External Audit annual audit report		Anne MacDonald	External Audit	External Audit	2.1		
16	Strategy	Regular update on any changes to the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund strategies		Mairi Suttie	Finance	Corporate Services	1.2, 1.4, 3-5		
17	Asset and Investment Manager Performance Report	To provide a review of the North East Scotland Pension Fund for the latest three month period		Graham Buntain	Finance	Corporate Services	5.2		
18	Investment Strategy	To provide an update		Graham Buntain	Finance	Corporate Services	5.2		
19	Budget Forecast & Projected Spend	Update on budget and annual spend to date		Laura Colliss	Finance	Corporate Services	1.3		
20	**11 December 2026**								

	A	B	C	D	E	F	G	H	I
2	**Report Title**	**Minute Reference/Committee Decision or Purpose of Report**	**Update**	**Report Author**	**Chief Officer**	**Directorate**	**Terms of Reference**	**Delayed or Recommended for removal or transfer, enter either D, R, or T**	**Explanation if delayed, removed or transferred**
21	Strategy	Regular update on any changes to the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund strategies		Mairi Suttie	Finance	Corporate Services	1.2, 1.4, 3-5		
22	Asset and Investment Manager Performance Report	To provide a review of the North East Scotland Pension Fund for the latest three month period		Graham Buntain	Finance	Corporate Services	5.2		
23	Budget Forecast & Projected Spend	Update on budget and annual spend to date		Laura Colliss	Finance	Corporate Services	1.3		
24	**March 2027**								
25	Statement of Accounts Action Plan	To provide Elected Members with high level information and key dates to the Statement of Accounts including linkages to the plans and timetables of the Council's External Auditors		Laura Colliss	Finance	Corporate Services	3.1		
26	Strategy	Regular update on any changes to the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund strategies		Mairi Suttie	Finance	Corporate Services	1.2, 1.4, 3-5		
27	Asset and Investment Manager Performance Report	To provide a review of the North East Scotland Pension Fund for the latest three month period		Graham Buntain	Finance	Corporate Services	5.2		
28	Investment Strategy	To present an update of the strategy		Laura Colliss	Finance	Corporate Services	5.2		
29	Review of NESPF Compliance with the Public Service Pensions Act 2013 and Pension Regulator Requirements	To provide a review of compliance		Mairi Suttie	Finance	Corporate Services	4.1 and 4.2		
30	External Audit Annual Plan	To present the annual plan		Anne MacDonald	External Audit	External Audit	2.1		

ABERDEEN CITY COUNCIL

COMMITTEE	Pensions Committee
DATE	19 June 2026
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Annual Report 2025/26
REPORT NUMBER	IA/26/012
DIRECTOR	N/A
CHIEF OFFICER	Jamie Dale Chief Internal Auditor
REPORT AUTHOR	Jamie Dale
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

1.1 The purpose of this report is to provide the Committee with Internal Audit's Annual Report for the North East Scotland Pension Fund for 2025/26.

2. RECOMMENDATIONS

It is recommended that the Committee:

2.1 Note the Annual Report for 2025/26;

2.2 Note that the Chief Internal Auditor has confirmed the organisational independence of Internal Audit;

2.3 Note that there has been no limitation to the scope of Internal Audit work during 2025/26; and

2.4 Note the progress that management has made with implementing recommendations agreed in Internal Audit reports.

3. CURRENT SITUATION

3.1 Global Internal Audit Standards require that Internal Audit produce an annual report on the adequacy and effectiveness of NESPF's framework of governance, risk management and control. It is one of the functions of the Pensions Committee to review the activities of the Internal Audit function, including its annual work programme.

3.2 This report is designed to meet three objectives; to present to Pensions Committee, and through them, the Board:

- A formal opinion on the adequacy and effectiveness of the NESPF's arrangements for:
    - Governance
    - Risk management
    - Internal control
- A narrative over the key findings from the assurance work undertaken by IA during 2025/26, drawing out key lessons to be learned.
- An account of the assurance activities and resources of IA during the period 2025/26

3.3 This report covers the period from 1 April 2025 to 31 March 2026 and any work finalised during the 2025/26 assurance period. It also takes account of work undertaken up to the date of the issue of this report. The report is grounded in the whole activity and work of IA, whether in terms of formal audit evidence and work, management assurance and consultancy activity, or evidence gathered throughout wider engagement across the NESPF or the Council.

4. FINANCIAL IMPLICATIONS

4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendations of this report.

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendations of this report.

7. MANAGEMENT OF RISK

7.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.

8. OUTCOMES

8.1 There are no direct impacts, as a result of this report, in relation to the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.

8.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	An assessment is not required because the reason for this report is for Committee to consider Internal Audit's annual report. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Data Protection Impact Assessment	Not required

10. APPENDICES

10.1 Appendix A – Internal Audit Annual Report for the year ended 31 March 2026.

11. REPORT AUTHOR DETAILS

Jamie Dale, Chief Internal Auditor
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ABERDEEN
CITY COUNCIL

Internal Audit

North East Scotland Pension Fund Annual Assurance Report and Chief Internal Auditor's Opinion 2025/26

Contents

1 Executive Summary

1.1 Introduction and Background

Internal Audit's (IA) primary role is to provide independent and objective assurance on the North East Scotland Pension Fund's (NESPF), and Aberdeen City Council's (the systems the NESPF relies on) risk management, control, and governance processes. Where this report focuses on the NESPF specifically, consideration has been given and reference will be made to the work IA has carried out with the Council overall.

This role of IA requires a continuous rolling review and appraisal of the internal controls of NESPF involving the examination and evaluation of the adequacy of systems of risk management, control, and governance, making recommendations for improvement where appropriate. Reports are produced relating to each audit assignment and presented when finalised to the Pensions Committee. Along with other evidence, these reports are used in forming an annual opinion[1] on the adequacy of risk management, control, and governance processes.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Global Internal Audit Standards (GIAS) (UK Public Sector) set the mission of IA as to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight.

1.2 NESPF Operating Environment

Local government pension schemes continue to operate in a complex environment characterised by economic volatility, heightened governance scrutiny and increasing regulatory demands. While asset values and funding positions have generally remained strong following recent actuarial valuations, this has been accompanied by ongoing uncertainty arising from inflationary pressures, interest-rate volatility and geopolitical risk, with implications for investment performance, employer affordability and long-term funding assumptions. At the same time, the operating environment has been further shaped by significant legislative and regulatory change, including the implementation of the McCloud remedy, preparation for structural and governance reforms arising from the Pension Schemes Bill 2025, and emerging expectations around climate governance and reporting, all of which place sustained pressure on administrative capacity, systems and data quality. Against this backdrop, the North East Scotland Pension Fund has continued to operate from a position of financial strength, supported by positive investment performance, stable contribution income and a strong focus on responsible investment, governance and administrative

[1] The Global Internal Audit Standards require the Chief Internal Auditor to communicate conclusions. Where appropriate, those conclusions may be expressed as an overall opinion and as such this terminology is used throughout this report.

resilience. Nevertheless, the Fund faces the same underlying challenges as the wider LGPS, including reliance on the timely delivery of transformation activity, system and data dependencies linked to McCloud and dashboards implementation, and the need to maintain robust governance capacity to manage risk effectively and sustain current funding strength without introducing longer-term or inter-generational risk.

1.3 Purpose of this Report

GIAS requires the Chief Internal Auditor to prepare an overall conclusion, at least annually, on the overall adequacy and effectiveness of the North East Scotland Pension Fund's (the Fund's) governance, risk management and control framework.

The annual conclusion includes consideration of:

- A summary of the information that supports the conclusion.
- Disclosure of any impairments to scope and/or independence.
- Statement of conformance with the GIAS including the results of the quality assurance and improvement programme and progress against any improvement plans.
- Consideration of any other relevant issues.

The Regulations also require Fund's to approve an Annual Governance Statement. The Internal Audit Annual conclusion supports the Fund's Annual Governance Statement, which is included within the Annual Accounts.

This report covers the period from 1 April 2025 to 31 March 2026 and any work finalised during the 2025/26 assurance period. It also takes account of work undertaken up to the date of the issue of this report. The report is grounded in the whole activity and work of IA, whether in terms of formal audit evidence and work, management assurance and consultancy activity, or evidence gathered throughout wider engagement across the NESPF or the Council.

1.4 Conclusion

The overall Chief Internal Auditor's opinion is:

> In my opinion the NESPF had an adequate and effective framework for governance, risk management and control, covering the period 1 April 2025 to 31 March 2026.

This conclusion reflects risk-based internal audit work undertaken during the year and, where relevant, assurance obtained from audit activity across the administering authority on which the Fund relies.

For further commentary see the Annual Assurance Opinion section below.

1.5 Action Requested of the Pensions Committee

The Pensions Committee is requested to note the contents of this report and the assurance opinion, to inform its Annual Report and its review of the Financial Statements, in particular the Governance Statement.

2 Annual Assurance Opinion

2.1 Basis of Annual Assurance Opinion

In accordance with the GIAS, IA's assessment, and opinion over the framework of governance, risk management and control is based upon the whole activity and work of IA including:

- The results of internal audits completed up to the date of this Report.
- Any follow-up action taken in respect of audits from previous periods.
- The effects of any significant changes in control environment.
- Matters arising from previous annual reports to the NESPF.
- Any limitations that may have been placed on the scope of IA – there are no restrictions to declare in this report.
- Reports issued by External Audit.
- IA's knowledge of the NESPF and the Council's Governance, Risk Management and Performance Monitoring arrangements.
- The assessment of risk completed during the formation of the 2026-29 Audit Plan.
- The results of other assurance activities completed during the year.

The North East Scotland Pension Fund operates with Aberdeen City Council acting as the administering authority, and therefore relies on a range of Council systems, processes, and governance arrangements to support the administration and oversight of the Fund. In forming the annual assurance conclusion, Internal Audit has considered the results of relevant audit work undertaken across Aberdeen City Council where this work has direct relevance to the Fund's activities, risks, or reliance on shared systems and controls.

Where audits within the Council have identified areas for improvement that are applicable to the Fund, appropriate recommendations have been made and actions are being taken forward by responsible officers within the Council. Based on the assurance obtained, there are no specific matters arising from this Council-wide audit work that materially impact or undermine the annual assurance conclusion provided in respect of the Fund.

The annual assurance opinion has been formed having regard to the North East Scotland Pension Fund's risk profile and the principal governance, financial, operational, and regulatory risks facing the Fund. Internal Audit activity during the year has been planned and delivered on a risk-based basis, informed by the Fund's risk management arrangements, our understanding of the external regulatory environment, and ongoing engagement with Fund officers and key stakeholders. This includes consideration of those risks most relevant to the achievement of the Fund's strategic objectives, such as the effectiveness of governance arrangements, the administration and payment of pensions, reliance on Council systems and shared services, compliance with statutory and regulatory requirements, and the management of key third-party relationships. The results of this risk-based assurance work, together with follow-up activity and wider audit engagement, have been taken into account in forming the Chief Internal Auditor's overall annual conclusion.

The Standards also require that IA confirms to the Committee, at least annually, that it is organisationally independent. The organisational independence of IA is established through Financial Regulations (approved by full Council) and the Internal Audit Charter (approved by the Audit, Risk and Scrutiny Committee). Other factors which help ensure IA's independence are that: the Internal Audit plan for the NESPF is approved by the Pensions Committee; and Internal Audit reports its outputs to Committee in the name of the Chief Internal Auditor. The Chief Internal Auditor considers that Internal Audit is therefore organisationally independent.

2.2 Annual Assurance Opinion 2025/26

IA is satisfied that sufficient audit and assurance work has been undertaken to allow a reasonable and evidence-based conclusion to be drawn as to the adequacy and effectiveness of the NESPF's framework for governance, risk management and control. NESPF had an adequate and effective framework for governance, risk management and control, covering the period 1 April 2025 to 31 March 2026.

2.3 Rationale for the Opinion

It is the responsibility of the Pension Fund's Management to establish an appropriate and sound system of internal control and to monitor the continuing effectiveness of that system. It is the responsibility of the Chief Internal Auditor to provide an annual overall assessment of the robustness of the internal control system.

The main objectives of the Pension Fund's/Council's internal control systems are to:

- Ensure adherence to management policies and directives to achieve the organisation's objectives.
- Safeguard assets.
- Ensure the relevance, reliability, and integrity of information, so ensuring as far as possible the completeness and accuracy of records.
- Ensure compliance with statutory requirements.

Any system of control can only ever provide reasonable and not absolute assurance that control weaknesses or irregularities do not exist or that there is no risk of material errors, losses, fraud, or breaches of laws or regulations. Accordingly, the NESPF is continually seeking to improve the effectiveness of its systems of internal control.

IA undertakes an annual programme of work agreed with Management and the Pensions Committee. The audit plan is based on a risk assessment process that is revised on an ongoing basis to reflect evolving risks and changes within the Pension Fund and Aberdeen City Council.

All IA reports identifying system weaknesses, non-compliance with expected controls, and/or assurance of satisfactory operation are brought to the attention of Management and include appropriate recommendations and agreed action plans. It is Management's responsibility to ensure that proper consideration is given to IA reports and that appropriate action is taken on audit recommendations. IA is required to ensure that appropriate arrangements are made to determine whether action has been taken on internal audit recommendations or that management has understood and assumed the risk of not acting.

Analysis of the findings within the year highlights positively that the audited area was operating as anticipated. This reflects a strong control environment and the need for IA to only make limited recommendations.

During the year IA issued one specific NESPF Audit Report:

- **Pension Fund Key Administrative Processes** – The audit assessed the level of risk as **Moderate**, with the control framework providing **Reasonable** assurance over the Pension Fund's administrative processes. The Fund's Pension Administration Strategy (PAS), approved in December 2022, sets out statutory responsibilities in line with the Local Government Pension Scheme (LGPS) (Scotland) Regulations and provides a strong basis for consistent administration, supported by experienced officers and broadly aligned with the Pensions Regulator's Code of Practice. However, reflecting the complexity and volume of activity, opportunities were identified to strengthen the framework further, particularly in relation to the timely review and reporting of strategy and improvement actions, the consistency and currency of process documentation and training arrangements, clarity and resilience within business continuity and disaster recovery planning, and the structure and consistency of governance, contract oversight and delegated authorities. The recommendations from this high-level review are intended to enhance governance, improve the clarity and consistency of administrative processes, and increase management oversight, with more detailed audits of specific areas planned in future years alongside routine follow-up and ongoing internal audit engagement.

Management accepted all recommendations and are working on implementation. This will be followed up and reported to Committee as recommendations fall due.

The current's year's review is consistent with recent findings; across recent internal audit work, it has been a consistent conclusion that the NESPF demonstrates generally sound governance, risk management and control arrangements, with all reviews concluding a Reasonable Assurance assessment.

2.4 Follow Up of Audit Recommendations

GIAS require that IA report the results of its activities to the Committee and establishes a follow-up process to monitor and ensure that management actions have been effectively implemented.

As at the 31 March 2026, no audit recommendations were due.

As has been reported to the Committee previously, implementation of agreed actions is a strength of the Pension Fund.

3 Audit Results

3.1 In Year Audit Results

Across the year, IA issued one Audit Report – Pensions Administrate Processes.

3.2 2025/26 Audits

Council Area	Audit Area	Overall Rating
NESPF	Pension Fund Key Administrative Processes	**Moderate**

3.3 Counter Fraud

IA does not have a dedicated responsibility across the Fund or Council to lead on Counter Fraud activities; this sits within the remit of a separate in-house Team. However, the consideration of fraud risk is fully embedded within IA's approach and is systematically incorporated into all audit engagements. Specifically, each review explicitly considers the potential for fraud from a control framework perspective, including the adequacy of preventative and detective controls, areas of heightened risk, and any indicators of vulnerability within the systems under review. This ensures that counter fraud considerations are not treated in isolation but are consistently applied across the full breadth of IA work.

4 IA Performance

4.1 Quality Assurance and Improvement Plan

The GIAS require that the Annual Report includes a statement on conformance with the Standards, together with the results of the Quality Assurance and Improvement Programme (QAIP). This provides transparency over the extent to which the IA function operates in accordance with recognised professional standards and supports the overall credibility of the annual opinion.

At the time of this review, the full practical application of the GIAS across the Local Government sector continues to evolve. IA is actively working with the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) to support the development of a consistent and proportionate quality review framework. This collaborative approach is intended to promote consistency of interpretation and application across the sector, with any further refinements to be incorporated as expectations and supporting guidance continue to mature.

In previous years, External Quality Assessments (EQAs) have been undertaken, with Internal Audit assessed as conforming with the Public Sector Internal Audit Standards (PSIAS). While PSIAS has now been replaced by GIAS, the requirement for independent external assessment remains, and EQAs will continue to be undertaken on a five-year cycle in line with the Standards.

In addition to periodic external review, an internal quality assessment is undertaken annually as part of the QAIP. The current year assessment was undertaken alongside the progressive adoption of the GIAS and concluded that IA conforms with the Standards. However, reflecting the evolving position noted above, the detailed practical application of certain aspects of the GIAS is still being worked through. As a result, further enhancements and refinements to methodologies, documentation, and supporting processes are expected as implementation continues to develop, and these will be taken forward through a QAIP

4.2 Staffing

At present IA is operating with a 11.5 FTE, 1.5 FTE under budget. This 1.5 variance is reflective of flexible working within the Service and one vacancy that is currently being recruited to.

5 Appendix 1 – Grading of Recommendations

Risk Level	Definition
Corporate	This issue / risk level impacts the Fund as a whole. Mitigating actions should be taken at the Senior Leadership level.
Function	This issue / risk level has implications at the functional level and the potential to impact across a range of services. They could be mitigated through the redeployment of resources or a change of policy within a given function.
Cluster	This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible officers.
Programme and Project	This issue / risk level impacts the programme or project that has been reviewed. Mitigating actions should be taken at the level of the programme or project concerned.

Net Risk Rating	Description	Assurance Assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	**Substantial**
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	**Reasonable**
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	**Limited**
Severe	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	**Minimal**

Individual Issue / Risk	Definitions
Minor	Although the element of internal control is satisfactory there is scope for improvement. Addressing this issue is considered desirable and should result in enhanced control or better value for money.
Moderate	An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on the audited area's adequacy and effectiveness.
Major	The absence of, or failure to comply with, an appropriate internal control, such as those described in the Scheme of Governance. This could result in, for example, a material financial loss, a breach of legislative requirements or reputational damage to the Fund.
Severe	This is an issue / risk that is likely to significantly affect the achievement of one or many of the Fund's objectives or could impact the effectiveness or efficiency of the Fund's activities or processes. Examples include a material recurring breach of legislative requirements or actions that will likely result in a material financial loss or significant reputational damage to the Fund. Action is considered imperative to ensure that the Fund is not exposed to severe risks.

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ABERDEEN CITY COUNCIL

COMMITTEE	Pensions Committee
DATE	19 June 2026
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Update Report
REPORT NUMBER	IA/26/010
DIRECTOR	N/A
CHIEF OFFICER	Jamie Dale Chief Internal Auditor
REPORT AUTHOR	Jamie Dale
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

1.1 The purpose of this report is to provide the Committee with an update on Internal Audit's work since the last update. Details are provided of the progress against the approved Internal Audit plans, audit recommendations follow up, and other relevant matters for the Committee to be aware of.

2. RECOMMENDATIONS

It is recommended that the Committee:

2.1 Note the progress of the Internal Audit Plan.

2.2 Note the progress that Management has made with implementing recommendations agreed in Internal Audit reports.

3. CURRENT SITUATION

3.1 Internal Audit's (IA) primary role is to provide independent and objective assurance on the North East Scotland Pension Fund's (NESPF), and Aberdeen City Council's (whose systems the NESPF relies on) risk management, control, and governance processes. Where this report focuses on the NESPF specifically, consideration has been given and reference will be made to the work we have carried out with the Council overall. This requires a continuous rolling review and appraisal of the internal controls of the Fund and the Council, involving the examination and evaluation of the adequacy of systems of risk management, control, and governance, making recommendations for improvement where appropriate. Reports are produced relating to each audit assignment and copies of these are provided to the Pensions Committee.

3.2 This report and its appendix is designed to provide an update to the Pensions Committee on the work of Internal Audit since our last update to the Committee.

4. FINANCIAL IMPLICATIONS

4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendations of this report.

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendations of this report.

7. MANAGEMENT OF RISK

7.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with Management. Those not implemented by their agreed due date are detailed in the attached appendices.

8. OUTCOMES

8.1 There are no direct impacts, as a result of this report.

8.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Fund's framework of governance, risk management and control. These arrangements, put in place by the Fund, help ensure that the Fund achieves its strategic objectives in a well-managed and controlled environment.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	An assessment is not required because the reason for this report is for Committee to consider Internal Audit's update report. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Data Protection Impact Assessment	Not required

10. APPENDICES

10.1 Appendix A - Aberdeen City Council NESPF - Internal Audit - Update Report.

11. REPORT AUTHOR DETAILS

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ABERDEEN
CITY COUNCIL

Internal Audit

North East Scotland Pension Fund
Pensions Committee
Internal Audit Update Report
June 2026

Contents

1 Executive Summary

1.1 Introduction and background

Internal Audit's (IA) primary role is to provide independent and objective assurance on the North East Scotland Pension Fund's (NESPF), and Aberdeen City Council's (whose systems the NESPF relies on) risk management, control, and governance processes. Where this report focuses on the NESPF specifically, consideration has been given and reference will be made to the work we have carried out with the Council overall. This requires a continuous rolling review and appraisal of the internal controls of the Fund and the Council, involving the examination and evaluation of the adequacy of systems of risk management, control, and governance, making recommendations for improvement where appropriate. Reports are produced relating to each audit assignment and these are provided to the Pensions Committee and the Audit, Risk and Scrutiny (ARS) Committee.

This report advises the Pensions Committee of Internal Audit's work since the last update. Details are provided of the progress against the approved Internal Audit Plan, audit recommendations follow up, and other relevant matters for the Committee to be aware of.

1.2 Highlights

Full details are provided in the body of this report however Internal Audit would like to bring to the Committee's attention that since the last update:

- The Internal Audit Plan for 2025/26 has been completed.
- Management has closed all due audit recommendations with none outstanding to include as part of this cycle of reporting.

1.3 Action requested of the Pensions Committee

The Pensions Committee is requested to note the contents of this report and the work of Internal Audit since the last update.

2 Internal Audit Progress

2.1 2025/26 Audits

Service	Audit Area	Position
North East Scotland Pension Fund	Key Administrative Processes	**Final Report Issued**

2.2 Follow up of audit recommendations

Global Internal Audit Standards require that Internal Audit report the results of its activities to the Committee and establishes a follow-up process to monitor and ensure that management actions have been effectively implemented.

As at 30 April 2026 (the baseline for our exercise), no audit recommendations were due. Management continue to work well with Internal Audit on follow up and close recommendations as they fall due.

Appendix 1 – Grading of Recommendations provides the definitions of each of the ratings used.

2.3 Other relevant updates

Since the last reporting to Committee, Internal Audit has two further updates to advise on:

- **Meetings** – CIPFA guidance highlights good practice for Audit committees to meet at least annually with both Internal Audit and External Audit without Management present, providing members with an opportunity to discuss any matters openly. While this is recommended practice rather than a mandatory requirement, the position has been discussed with the Convener, External Audit and relevant Management, and it has been agreed that a formal closed session is not necessary at this stage. Committee members, as has been the case recently, are encouraged to engage directly with assurance providers on an individual basis where required, and such discussions will continue to be fully supported and facilitated.
- **Internal Audit Planning Process** – Feedback has been received that members would welcome earlier opportunities to input to the Internal Audit planning process. While this has taken place informally in the past, from this year onward Internal Audit will formalise this approach. As planning commences in October, Committee members will be proactively consulted and provided with an opportunity to identify any areas they wish to be considered for inclusion within the Internal Audit Plan.

3 Appendix 1 – Grading of Recommendations

Risk level	Definition
Corporate	This issue / risk level impacts the Fund as a whole. Mitigating actions should be taken at the Senior Leadership level.
Function	This issue / risk level has implications at the functional level and the potential to impact across a range of services. They could be mitigated through the redeployment of resources or a change of policy within a given function.
Cluster	This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.
Programme and Project	This issue / risk level impacts the programme or project that has been reviewed. Mitigating actions should be taken at the level of the programme or project concerned.

Net risk rating	Description	Assurance assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	**Substantial**
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	**Reasonable**
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	**Limited**
Severe	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	**Minimal**

Individual issue / risk	Definitions
Minor	Although the element of internal control is satisfactory there is scope for improvement. Addressing this issue is considered desirable and should result in enhanced control or better value for money.
Moderate	An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on the audited area's adequacy and effectiveness.
Major	The absence of, or failure to comply with, an appropriate internal control, such as those described in the Scheme of Governance. This could result in, for example, a material financial loss, a breach of legislative requirements or reputational damage to the Fund.
Severe	This is an issue / risk that is likely to significantly affect the achievement of one or many of the Fund's objectives or could impact the effectiveness or efficiency of the Fund's activities or processes. Examples include a material recurring breach of legislative requirements or actions that will likely result in a material financial loss or significant reputational damage to the Fund. Action is considered imperative to ensure that the Fund is not exposed to severe risks.

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ABERDEEN CITY COUNCIL

COMMITTEE	Pensions Committee
DATE	19 June 2026
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2615 – Pension Fund Key Administrative Processes
REPORT NUMBER	IA/26/011
DIRECTOR	N/A
REPORT AUTHOR	Jamie Dale
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

1.1 The purpose of this report is to present the planned Internal Audit report on the Pension Fund Key Administrative Processes.

2. RECOMMENDATION

2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

3. CURRENT SITUATION

3.1 Internal Audit has completed the attached report which relates to an audit of the Pension Fund Key Administrative Processes.

4. FINANCIAL IMPLICATIONS

4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendations of this report.

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations, consistent with the Council's Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.

8. OUTCOMES

8.1 There are no direct impacts, as a result of this report, in relation to the Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.

8.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required

10. BACKGROUND PAPERS

10.1 There are no relevant background papers related directly to this report.

11. APPENDICES

11.1 Internal Audit report AC2615 – Pension Fund Key Administrative Processes

12. REPORT AUTHOR CONTACT DETAILS

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Title	Chief Internal Auditor
Email Address	Jamie.Dale@aberdeenshire.gov.uk
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Internal Audit

Assurance Review of Pension Fund Key Administrative Processes

Status: Final
Date: 15 April 2026
Risk Level: Corporate

Report No: AC2615
Assurance Year: 2025/26

Net Risk Rating	Description	Assurance Assessment
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable

Report Tracking	Planned Date	Actual Date
Scope issued	22-Oct-25	22-Oct-25
Scope agreed	29-Oct-25	28-Oct-25
Fieldwork commenced	17-Nov-25	17-Nov-25
Fieldwork completed	12-Dec-25	5-Feb-26
Draft report issued	30-Jan-26	23-Feb-26
Process owner response	20-Feb-26	15-Apr-26
Director response	27-Feb-26	15-Apr-26
Final report issued	3-Mar-26	15-Apr-26
Pensions Committee	19-Jun-26	

Distribution	
Document type	Assurance Report
Director	Andy MacDonald, Executive Director – Corporate Services
Process Owner	Laura Colliss, Pensions Manager
Stakeholder	Jonathan Belford, Chief Officer – Finance
	Jenni Lawson, Chief Officer - Governance*
*Final only	External Audit*
Lead auditor	Debbie Steele, Auditor

1 Introduction

1.1 Area subject to review

The Local Government Pension Scheme (LGPS) is a defined benefit public sector Pension Scheme that was established under the Superannuation Fund Act 1972. It is one of the main public sector Pension Schemes in Scotland providing members with a range of valuable benefits including an annual pension, lump sum payments and a range of pension provisions for family and other nominated beneficiaries.

The North East Scotland Pension Fund (NESPF) administers the LGPS for 41 employers located throughout the North and North East of Scotland, including Aberdeen City Council. The NESPF was valued at £6.345bn at the end of the 2024/25 financial year with nearly 79,000 members, and administration expenses of £3.207m

Regulation 57 of the LGPS (Scotland) Regulations 2018 allows funds to produce a Pensions Administration Strategy (PAS) that outlines the statutory responsibilities of both the Fund and the participating employers. In December 2022 a revised PAS was approved by the Pension 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 governance framework for the NESPF comprises systems and processes by which the Fund is directed, controlled and administered. Day to day administration of the Pension Fund is the duty of Pension Fund staff, with decision making and overall responsibility delegated to the Pensions Committee by Aberdeen City Council.

1.2 Rationale for the review

The objective of this audit is to provide assurance over the fulfilment of the key administrative processes across the Pension Fund.

Several recent reviews of the pension fund have looked in detail at individual processes, but the overall key administrative processes have not been audited in recent years.

This has been included in the 2025/26 NESPF Internal Audit Plan due to the importance of key administrative processes and how they underpin the fund's ability to operate effectively, comply with regulations, and deliver value to members and employers.

1.3 How to use this report

This report has several sections and is designed for different stakeholders. The executive summary (section 2) is designed for senior staff and is cross referenced to the more detailed narrative in later sections (3 onwards) of the report should the reader require it. Section 3 contains the detailed narrative for risks and issues we identified in our work.

2 Executive Summary

2.1 Overall opinion

The full chart of net risk and assurance assessment definitions can be found in Appendix 1 – Assurance Scope and Terms. We have assessed the net risk (risk arising after controls and risk mitigation actions have been applied) as:

Net Risk Rating	Description	Assurance Assessment
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	**Reasonable**

The organisational risk level at which this risk assessment applies is:

Risk Level	Definition
Corporate	This issue / risk level impacts the Fund as a whole. Mitigating actions should be taken at the Senior Leadership level.

2.2 Assurance assessment

The level of risk is assessed as **MODERATE**, with the control framework deemed to provide **REASONABLE** assurance over the Pension Fund's approach to Administrative Processes.

The Fund published its Pension Administration Strategy (PAS) in December 2022, setting out clearly the statutory responsibilities of both the Fund and participating employers in line with the LGPS (Scotland) Regulations. The Strategy provides a strong framework for consistent administration and reflects the Fund's commitment to good governance. Overall, this approach demonstrates alignment with the principles and expectations within the Pensions Regulator's Code of Practice across all relevant areas, including scheme administration, information handling, IT, contributions, communications and disclosures. Day-to-day administration is then facilitated by experienced officers who show clear understanding of regulatory requirements.

However, as part of the review, and as expected given the complex and high-volume administrative environment, areas were identified where processes and controls would benefit from enhancement, specifically:

- **Strategy and Planning** – The Pension Committee last approved a Pensions Administration Strategy (PAS) outlining the statutory responsibilities of both the Fund and the participating employers, in line with the LGPS (Scotland) Regulations, in December 2022. Although there is no fixed or prescribed review cycle, it is important to keep the strategy under regular review and ensure it is updated to reflect material changes. Material changes / variations in practice have been identified but updates to the PAS have been paused pending completion of a review of the Fund's operating structure and performance measures. The Pensions Committee has not been formally advised of the delay or a schedule for the update to be completed. Management reports updates to the Committee on performance and data quality regularly, including plans for improvement where required. However, progress with completion of relevant actions, and their associated outcome, is not being reported, reducing assurance and opportunities for scrutiny.
- **Process Documentation and Training Arrangements** – While teams maintain written procedures for key administrative activities, the format, quality and completeness of these documents vary, with some containing outdated information, broken links or insufficient guidance for newer staff. Task walkthroughs reinforced these gaps, highlighting areas where processes rely heavily on staff knowledge rather than clear, consistent documentation. Alongside this, although the Fund operates a structured training programme, monitoring of

refresher training is manual and error-tolerance thresholds within the benefits administration training approach raise questions about whether adequate safeguards remain in place as supervision reduces.

- **Business Continuity and Disaster Recovery** – The Fund has a detailed local contingency plan covering business continuity and disaster recovery for use in the event of a serious or prolonged loss of the key pensions administration system. This is also reflected in the risk register. There is a generic cyber incident response plan covering the key tasks and roles in the event of an identified incident. There are backups held by the supplier at more than one site, and there is testing to ensure these can be restored, however there is substantial reliance in the plan on the supplier's ability to meet its obligations timeously under contract. The plan does not include specified cut-off points beyond which short-term measures would become critical, or clarity over access to the Fund's data if the supplier is unable to provide it.
  Governance, Compliance & Oversight Controls –The Fund has core processes in place for contract management, delegated authorisations and incident reporting. However, the supporting governance framework could be more structured and more consistency is needed to provide stronger assurance. Breaches of procurement rules, gaps in contract oversight, and limited evidence of systematic performance review reduce visibility over contract compliance and value for money. Delegated financial limits, although facilitating operational efficiency, are not supported by clear rationale or routine review, and inconsistencies in how authorisation levels are recorded further weaken transparency. Although incidents and potential regulatory breaches are logged, recurring data breaches have not resulted in demonstrable improvements to underlying processes.

The recommendations from this review are aimed at supporting Management in strengthening the Fund's overall framework of control by enhancing governance arrangements, improving the consistency and clarity of administrative processes, and increasing oversight. This has been a high level audit of key administrative processes, and more detailed audits of specific areas are scheduled for future years. These will sit alongside standard follow-up of recommendations and the wider ongoing engagement Internal Audit maintains with the Fund.

Identified Risks

Risk Level	Number of Risks Identified
Severe	-
Major	-
Moderate	3
Minor	1
Total	**4**

2.3 Management response

We thank Internal Audit for their work in this area, accept their findings and will take forward the agreed actions.

3 Issues / Risks, Recommendations, and Management Response

3.1 Issues / Risks, recommendations, and management response

<table>
<tr><th>Ref</th><th>Description</th><th>Risk Rating</th><th>Moderate</th></tr>
<tr><td rowspan="4">1.1</td><td colspan="3"> Strategy and Planning – The Pension Committee last approved a Pensions Administration Strategy (PAS) outlining the statutory responsibilities of both the Fund and the participating employers, in line with the LGPS (Scotland) Regulations, in December 2022. Although there is no fixed or prescribed review cycle, it is important to keep the Strategy under regular review and ensure it is updated to reflect material changes.
The Fund is currently reviewing its operating structure, and its performance measures. An update to the PAS has been paused pending completion of these actions. In the meantime, some sections of the PAS are out of date and do not fully reflect current practice.

The PAS references 13 Committee members, but this was reduced to nine in February 2024.
The PAS references a Discretions Policy dated 2015 – this may be out of date.
The PAS references monthly Employer communications, which contrasts with the Communications Policy that states these will be quarterly.
The Pension Regulator Code of Practice was last updated in March 2024. This could have implications which may need to be reflected in the PAS.

The Pensions Committee has not been formally advised of the delay or a schedule for the update to be completed .
The Pension Committee receives quarterly updates on pensions administration performance including a series of key performance indicators (KPI's). In general reports indicate targets are being met, and assurance is provided that the remaining minor variations from target will be addressed, though there are no specific tracked action plans reported to the Committee. A broader focus incorporating performance across tasks relating to active, deferred and pensioner groups could provide more assurance over service delivery and identify other areas for action.
Data quality is a key risk, and a focus of the Pensions Regulator. The Fund uses data intelligence tools to assess the completeness and consistency of its records and generally reports high quality scores. An Annual Data Quality Management Action Plan is provided to the Committee listing areas for improvement and relevant actions, for example a contact tracing exercise. However, the outcome is not reported; there are no interim updates to provide assurance over progress and completion of these actions, and the plan is replaced the following year. There are repeat actions and themes included each year, reducing assurance over progress. Whilst Management has sources of assurance , for example real-time data quality reporting from the system, more regular updates to the Committee on progress and outcomes from specific actions would provide greater assurance and opportunities for scrutiny. </td></tr>
<tr><td colspan="3">IA Recommended Mitigating Actions</td></tr>
<tr><td colspan="3"> The Fund should update the Pensions Administration Strategy to ensure it reflects current requirements and practice.
The Fund should consider broadening its performance focus across a wider set of activities.
The Fund should report progress with and provide assurance to the Committee over data quality and other action plans (e.g. performance) on a more regular basis. </td></tr>
<tr><td colspan="3">Management Actions to Address Issues/Risks</td></tr>
</table>

Ref	Description			Risk Rating	Moderate
	The Fund has plans in place to review the PAS in 2026 following the adoption a new KPI process but we take on board and agree that the Strategy needs to be reviewed and updated on a regular basis. *The new KPI's, which are to be put in place from 1 April 2026 and will be reported to Committee in September 2026, with a view to being included in the 2026/27 Annual Report and Accounts, will cover a broader scope and will be in line with the current requirements for England and Wales LGPS Funds.* *Agree that the PAS reporting to Committee should include actions taken, data scores and action plans around the data quality improvement plan in addition to the KPI reporting above – this will be reviewed and implemented through the PAS review for September 2026 Pensions Committee.*				
	Risk Agreed	**Person(s)**	**Due Date**		
	Yes	Employer Relationship Manager	September 2026		

Ref	Description	Risk Rating	Moderate
1.2	**Process Documentation and Training Arrangements** – Across the areas reviewed, each team maintains its own set of written procedures covering key activities such as Governance, Member Services, and Employer Responsibilities. However, the format, level of detail, and approach to storing and reviewing these documents varies, and some procedures were found to contain out-of-date information, broken links, or insufficient guidance for newer staff. In several cases, processes relied heavily on staff experience rather than fully documented steps, limiting assurance that tasks will be consistently and accurately completed. While not a key focus of the audit, these limitations were reinforced through task walkthroughs, which identified gaps in procedural clarity, for example in employer contributions, transfer-in checks, and investment-related processes[1]. This highlights the need for a more coherent and centrally managed approach to procedural documentation. Alongside this, the Fund maintains training records and operates a structured training programme, particularly within benefits administration. However, monitoring of refresher training is reliant on manual checks, leading to delays in identifying overdue requirements. In addition, while the programme incorporates a gradual reduction in supervision as staff demonstrate accuracy. Whilst the general approach is positive, the threshold for allowed errors is set at 25%, and can be adjusted up to 35% through application of Management discretion. At this level of performance and accuracy, the programme indicates that Management checks are withdrawn. It is not clear that there are sufficient compensating controls to detect and correct up to a third of transactions or instructions that might be processed incorrectly. The variability in written procedures, reliance on undocumented practice, and gaps in training oversight increase the risk of inconsistency, missed steps, or errors, particularly in the event of staff turnover or changing responsibilities.		
	IA Recommended Mitigating Actions		
	a) The Fund should consider developing a central record of procedural documentation including version control and a schedule for review. The review should include consideration of cross-referencing to relevant detail as well as completeness and		

[1] Full details of these have been shared with Management.

Ref	Description	Risk Rating	Moderate
	accuracy. This review should also specifically review and update where necessary the processes highlighted as part of the Internal Audit Review. b) The Fund should review training plans to ensure refresher training is scheduled timeously. c) The Fund should review thresholds for accuracy, and ensure sufficient compensatory controls are in place to identify and correct any remaining errors.		
	Management Actions to Address Issues/Risks		
	a) The Fund will create a central, well-maintained record of all procedural documents, including version control and a formal review schedule. The Governance team will deliver this by expanding their existing Document Register to cover all team procedures, ensuring consistent formatting, up-to-date content, and timely reminders for authors to revise documents when needed. *b) The Fund recognises the need for regular refresher training, but due to limited resources currently only provides training on topical areas. This issue will be addressed as part of the ongoing service review.* *c) The accuracy thresholds apply to work completed as part of the internal training programme, where training officers review and correct all errors. To mitigate the perceived 25% risk, any work not reviewed by training officers is peer-checked by senior officers in the Benefits Administration team, with additional scrutiny for staff who have not yet completed the training programme.*		

Risk Agreed	Person(s)	Due Date
Yes	Governance Manager	December 2026

Ref	Description	Risk Rating	Minor
1.3	**Business Continuity and Disaster Recovery** – The Fund has a detailed Local Contingency Plan covering business continuity and disaster recovery for use in the event of a serious or prolonged loss of the key pensions administration system. This is also reflected in the risk register. There is a generic cyber incident response plan covering the key tasks and roles in the event of an identified incident, with a focus on Council-level business continuity and response plans. Backups of both the System and data are taken and can be restored, and this is tested regularly. Manual processes and other sources of data (e.g. previous BACS runs or copies of reports extracted from the system) can be used for continued operation in the short term. The plan does not include specified cut-off points beyond which these short-term measures would become critical. There is however reliance in the Plan on the supplier's ability to meet its obligations under contract, e.g. to restore the system promptly, and to source and reinstate off-site backups. The supplier is to use all reasonable endeavours to restore service within 48 hours. In the event of a cyber-attack or other business-critical impact on the supplier, the System and data might be inaccessible for an extended period, or permanently. Whilst the Plan notes that any extended downtime is likely to affect other LGPS funds nationally, and they would work together to identify solutions, further assurance is required over whether data could be recovered and restored independently.		
	IA Recommended Mitigating Actions		

Ref	Description		Risk Rating	Minor
	The Fund should review risks to business continuity and disaster recovery and determine appropriate mitigations for scenarios including the supplier being unable to fulfil its contractual obligations for an extended period.			
	Management Actions to Address Issues/Risks			
	This has been reviewed. Alongside the supplier backups the fund also holds backups of the key data for Deferred, Pensioner and Dependent members that could be used to rebuild a database in the event of a cyber-attack. Active membership details are held by Employers. *If the supplier was unable to continue and software was no longer available these backups would be used to create the new database.* *With the BACS files the Council Payroll System could be used to pay members while a new database is sought.* *Owing to the complexities of Pensions software there would usually be a full tender process and there are limited suppliers of this software however we would retain data that could be used to recreate a database if required.*			
	Risk Agreed	**Person(s)**	**Due Date**	
	Yes	System Manager	Implemented	

Ref	Description	Risk Rating	Moderate
1.4	**Governance, Compliance & Oversight Controls** – Effective governance relies on clear accountability, well-defined authority, and robust mechanisms for identifying and addressing risks. Across the areas of contract management, delegated authorisations, and incident reporting, our review identified that while core processes are in place and generally understood by staff, the supporting governance framework would benefit from greater structure, transparency and consistency, specifically: <u>Contract Management</u> The Fund maintains records of its main contracts and generally complies with the Council's procurement regulations. However, two contracts were awarded above procurement thresholds without the required contract award notices being published within 30 days. Additionally, annual printing costs for members' statements, currently more than £12k per annum, now approach procurement thresholds, yet no contract appears on the register and alternative Council printing contracts do not appear to have been considered, limiting assurance over Best Value. While contract records themselves are well maintained, there is no documented evidence of ongoing contract management activity, such as performance reviews or decisions on extension or termination, which reduces visibility and assurance over active management. Introducing structured and documented contract oversight would strengthen governance and compliance. <u>Delegations</u> The Fund maintains records of delegated financial authorisation levels across purchasing, payments, pensions transactions, and bank signatories, with limits varying significantly by activity e.g. investment transaction daily limits starting at £50m, for a restricted group of managers, or Purchasing approval starts at £100k for Senior Pensions officers, with Chief Officer approval only required over £750k. While these arrangements support operational		

Ref	Description	Risk Rating	Moderate
	efficiency, there is limited evidence explaining how the thresholds were originally set, or that they are subject to periodic review to ensure an appropriate balance between risk and administrative burden. Instances of ad-hoc upward revisions further highlight the need for clearer justification and alignment to operational requirements. Authorisation levels are recorded in separate lists, which makes comparison difficult and may obscure inconsistencies; a consolidated overview would improve transparency and aid review. Although the lists were last updated in June 2025, they have not been revised to reflect responsibilities assigned to the Deputy Chief Finance Officer earlier that year, reducing assurance that the framework remains current and appropriately aligned. <u>Incidents and Regulatory Breaches</u> The Fund maintains detailed records of potential protocol breaches to assess whether incidents, such as late employer contributions or inadvertent disclosure of member data, require reporting to the Pensions Regulator or the ICO. While individual incident records include circumstances, actions taken, and risk assessments, data breaches continue to occur regularly, with around one per month in recent years. Although responses appear appropriate on a case-by-case basis, there is no evidence that recurring issues have prompted updates to underlying processes or controls. Without demonstrable action to address these themes, the Fund may be exposed to regulatory enforcement, financial penalties, and reputational risk. The issues identified across contract management, delegated authorities, and incident reporting indicate gaps in the Fund's wider governance, compliance, and oversight framework. Although core processes operate and staff manage issues as they arise, the absence of structured oversight, regular review, and clear documentation reduces transparency and limits the Fund's ability to demonstrate effective control, compliance, and timely learning from recurring risks.		
	IA Recommended Mitigating Actions		
	a) The Fund should ensure contract award notices are published in line with the Public Contracts Scotland Regulations, and that contracts are subject to periodic planned and documented review of performance and Value for Money. b) The Fund should periodically review and refresh delegated authorisation levels based on clearly evidenced requirements and consideration of the balance of risk and efficiency. Consideration should also be given to how this is presented to aid application and review. c) The Fund should periodically review lessons learned from breaches and ensure controls are reinforced as appropriate to avoid reoccurrence.		
	Management Actions to Address Issues/Risks		
	a) In March 2025, the Contract Register was updated to include a dedicated column for recording the publication of contract award notices, following an oversight in the timely publication of the actuarial contract award notice within the required 30-day period. This amendment ensures continued compliance with the Public Contracts Scotland Regulations. *Contract management is undertaken through quarterly reviews of the contract register by the Governance team. These reviews include an examination of terms and conditions, and upcoming review dates prompt engagement with relevant teams to determine whether contract extensions or new tender exercises are required. Going forward, the scope of these reviews will be expanded to incorporate assessments of contract performance and value for money.*		

Ref	Description		Risk Rating	Moderate
	b) Delegated authorisation levels are reviewed regularly and approved by the Chief Officer – Finance, with updates made in response to operational or regulatory changes. The Fund recognises that the current documentation does not clearly address the balance between risk and efficiency, and plans to revise it into a clearer format to support more effective application and review. *c) The Fund records actions in the breaches register where "lessons learned" reports highlight areas for improvement to help prevent similar incidents in future. However, with regard to personal data breaches, most occurrences in recent years have resulted from human error rather than deficiencies in established processes. To mitigate this, we issue regular reminders to staff through various communication channels and monitor compliance with mandatory information governance training.* *We also recognise the need for a more proactive approach to following up on recommendations arising from incidents. To support this, we plan to build this requirement into the register to ensure that follow-up actions are recorded and evidenced going forward.*			
	Risk Agreed	**Person(s)**	**Due Date**	
	Yes	Governance Manager	December 2026	

4 Appendix 1 – Assurance Terms and Rating Scales

4.1 Overall report level and net risk rating definitions

The following levels and ratings will be used to assess the risk in this report:

Risk level	Definition
Corporate	This issue / risk level impacts the Fund as a whole. Mitigating actions should be taken at the Senior Leadership level.
Function	This issue / risk level has implications at the functional level and the potential to impact across a range of services. They could be mitigated through the redeployment of resources or a change of policy within a given function.
Cluster	This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.
Programme and Project	This issue / risk level impacts the programme or project that has been reviewed. Mitigating actions should be taken at the level of the programme or project concerned.

Net Risk Rating	Description	Assurance Assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	**Substantial**
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	**Reasonable**
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	**Limited**
Severe	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	**Minimal**

Individual Issue / Risk Rating	Definitions
Minor	Although the element of internal control is satisfactory there is scope for improvement. Addressing this issue is considered desirable and should result in enhanced control or better value for money.
Moderate	An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on the audited area's adequacy and effectiveness.
Major	The absence of, or failure to comply with, an appropriate internal control, which could result in, for example, a material financial loss.
Severe	This is an issue / risk that could significantly affect the achievement of one or many of the Fund's objectives or could impact the effectiveness or efficiency of the Fund's activities or processes. Action is considered imperative to ensure that the Fund is not exposed to severe risks.

5 Appendix 2 – Assurance Scope and Terms of Reference

5.1 Area subject to review

The Local Government Pension Scheme (LGPS) is a defined benefit public sector Pension Scheme that was established under the Superannuation Fund Act 1972. It is one of the main public sector Pension Schemes in Scotland providing members with a range of valuable benefits including an annual pension, lump sum payments and a range of pension provisions for family and other nominated beneficiaries.

The North East Scotland Pension Fund (NESPF) administers the LGPS for 41 employers located throughout the North and North East of Scotland, including Aberdeen City Council. The NESPF was valued at £6.345bn at the end of the 2024/25 financial year with nearly 79,000 members, and administration expenses of £3.207m

Regulation 57 of the LGPS (Scotland) Regulations 2018 allows funds to produce a Pensions Administration Strategy (PAS) that outlines the statutory responsibilities of both the Fund and the participating employers. In December 2022 a revised PAS was approved by the Pension 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 governance framework for the NESPF comprises systems and processes by which the Fund is directed, controlled and administered. Day to day administration of the Pension Fund is the duty of Pension Fund staff, with decision making and overall responsibility delegated to the Pensions Committee by Aberdeen City Council.

5.2 Rationale for review

The objective of this audit is to provide assurance over the fulfilment of the key administrative processes across the Pension Fund.

Several recent reviews of the pension fund have looked in detail at individual processes, but the overall key administrative processes have not been audited in recent years.

This has been included in the 2025/26 NESPF Internal Audit Plan due to the importance of key administrative processes and how they underpin the fund's ability to operate effectively, comply with regulations, and deliver value to members and employers.

5.3 Scope and risk level of review

This review will offer the following judgements:

- An overall **net risk** rating at the **Corporate** level
- Individual **net risk** ratings for findings.

5.3.1 Detailed scope areas

As a risk-based review this scope is not limited by the specific areas of activity listed below. Where related and other issues / risks are identified in the undertaking of this review these will be reported, as considered appropriate by IA, within the resulting report.

The specific areas within key administrative process to be covered by this review are:

- Governance and Regulation around the Pension Administration Strategy
- Member Services
- Employer Responsibilities
- Monitoring and Reporting
- Investment and Funding

Where each of the above elements could be their own individual audits, this review will instead look at the key administrative processes as a whole and how they are delivered across the Fund.

5.4 Methodology

This review will be undertaken through interviews with key staff involved in the process(es) under review and analysis and review of supporting data, documentation, and paperwork. To support our work, we will review relevant legislation, codes of practice, policies, procedures, guidance.

This review will also encompass an evaluation of the governance, risk management and controls in place to achieve Best Value and to detect, prevent, and mitigate instances of fraud.

Due to hybrid working practices, this review will primarily be undertaken remotely via electronic meetings and direct access to systems and data, with face-to-face contact and site visits to premises to obtain and review further records as appropriate.

5.5 IA outputs

The IA outputs from this review will be:

- A risk-based report with the results of the review, to be shared with the following:
    - Fund Key Contacts (see 1.7 below)
    - Audit Committee (final only)
    - External Audit (final only)

5.6 IA staff

The IA staff assigned to this review are:

- Debbie Steele, Auditor **(audit lead)**
- Colin Harvey, Audit Team Manager
- Jamie Dale, Chief Internal Auditor **(oversight only)**

5.7 Fund key contacts

The key contacts for this review across the Fund are:

- Jonathan Belford, Chief Officer – Finance
- Laura Colliss, Pensions Manager **(process owner)**

5.8 Delivery plan and milestones

The key delivery plan and milestones are:

Milestone	Planned date
Scope issued	22-Oct-25
Scope agreed	29-Oct-25
Fieldwork commences	17-Nov-25
Fieldwork completed	12-Dec-25

Milestone	Planned date
Draft report issued	30-Jan-26
Process owner response	20-Feb-26
Director response	27-Feb-26
Final report issued	3-Mar-26

ABERDEEN CITY COUNCIL

COMMITTEE	Pensions Committee
DATE	19 June 2026
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Unaudited Annual Report and Accounts
REPORT NUMBER	PC/JUN26/ARA
EXECUTIVE DIRECTOR	ANDY MACDONALD
CHIEF OFFICER	JONATHAN BELFORD
REPORT AUTHOR	LAURA COLLISS
TERMS OF REFERENCE	3.1

1. PURPOSE OF REPORT

1.1 To present the unaudited Annual Report and Accounts for the North East Scotland Pension Fund.

2. RECOMMENDATION

That the Committee:-

2.1 Review and consider the unaudited Annual Report and Accounts for the North East Scotland Pension Fund in Appendix I.

3. CURRENT SITUATION

3.1 In accordance with the Local Authority Accounts (Scotland) Regulations 2014 the unaudited Annual Report and Accounts for the North East Scotland Pension Fund are presented to the Committee at this stage for consideration, with the audited version to be presented to the 11 September 2026 meeting for consideration and signing.

Appendix I, North East Scotland Pension Fund Unaudited Annual Report and Accounts

4. FINANCIAL IMPLICATIONS

4.1 There are no direct financial implications arising from the recommendation of this report.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendation of this report.

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendation of this report.

7. RISK

7.1 The assessment of risk contained within the table below is considered to be consistent with the Council's Risk Appetite Statement.

7.2 The Local Authority Accounts (Scotland) Regulations 2014 require the accounts to be approved no later than 30 September each year. Section 95 of the Local Government (Scotland) Act 1973 requires the Council to make arrangements for the proper administration of their financial affairs and to secure that the proper officer of the administering authority has responsibility for the administration of those affairs. For the North East Scotland Pension Fund, that officer is the Chief Officer – Finance of Aberdeen City Council.

7.3 There is a risk that any issues with the Unaudited Annual Report and Accounts could impact on the ability of the administering authority to consider and approve the audited version by the September deadline.

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	No significant risks identified.	N/A	N/A	N/A
Compliance	Failure to consider and approve audited accounts by 30 September.	Draft unaudited report taken to June committee for consideration to identify issues in advance. Governance structure is in place and operating effectively.	L	Yes
Operational	No significant risks identified.	N/A	N/A	N/A
Financial	No significant risks identified.	N/A	N/A	N/A
Reputational	No significant	N/A	N/A	N/A

	risks identified.			
Environment / Climate	No significant risks identified.	N/A	N/A	N/A

8. OUTCOMES

8.1 N/A

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	No assessment required. I can confirm this has been discussed and agreed with Jonathan Belford, Chief Officer-Finance on 21st May 2026.
Data Protection Impact Assessment	Not required
Other	N/A

10. BACKGROUND PAPERS

10.1 None

11. APPENDIX

11.1 Appendix I, North East Scotland Pension Fund Unaudited Annual Report and Accounts.

12. REPORT AUTHOR CONTACT DETAILS

Name	Laura Colliss
Title	Pensions Manager
Email Address	LColliss@nespf.org.uk

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North East Scotland Pension Fund

Unaudited Annual Report & Accounts

For the period 1 April 2025 to 31 March 2026

Contents

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	Rothesay Life Plc
External Auditor	Audit Scotland
Internal Auditor	Aberdeenshire Council
Investment Consultant	Isio
Legal Adviser	Aberdeen City Council, Brodies
Employers	For full details see Appendix 2

*Clydesdale Bank trading as Virgin Money

4. Pensions Committee & Pension Board

Pensions Committee

While day to day administration of the Pension Fund is the duty of Pension Fund officers, decision making and overall responsibility has been delegated to the Pensions Committee by Aberdeen City Council.

The Pensions Committee carries out a role similar to that of trustees of a Pension Scheme. It is the key decision maker for all matters under LGPS Regulations including benefit administration and investment management.

As a public sector pension provider, both the Council and the Pensions Committee recognise that they have fiduciary duties and responsibilities not only towards Pension Scheme members and participating employers but to local taxpayers.

The Committee meets on a quarterly basis to address a range of matters such as risk management, administration, funding, investment strategy and performance.

The Committee consists of nine elected members of Aberdeen City Council each with equal voting rights. Aberdeen City Council's approach to committee appointments is governed by a structured legal and procedural framework rooted in statutory authority and internal governance instruments. The process reflects principles of transparency, political representation, and administrative efficiency. Appointments are typically made in accordance with political balance, reflecting the composition of the elected Council. This ensures proportional representation across political groups. Following a full Council meeting in February 2024, the number of Committee members was reduced from 13 to 9. As at 31 March 2026, the Committee had three vacancies, two of which are allocated to Labour members and 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 crystalised.

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

£6,658m

Net Assets of the Fund at the end of the Year

£409m

Investment Return

£24m

Management Expenses

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

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

North East Scotland Pension Fund Financial Summary

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

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Contributions Less Benefits and Expenses paid **Net Additions/ (Withdrawals)**	**(33,048)**	**(34,257)**	**(78,570)**	**(129,501)**	**(102,402)**
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:

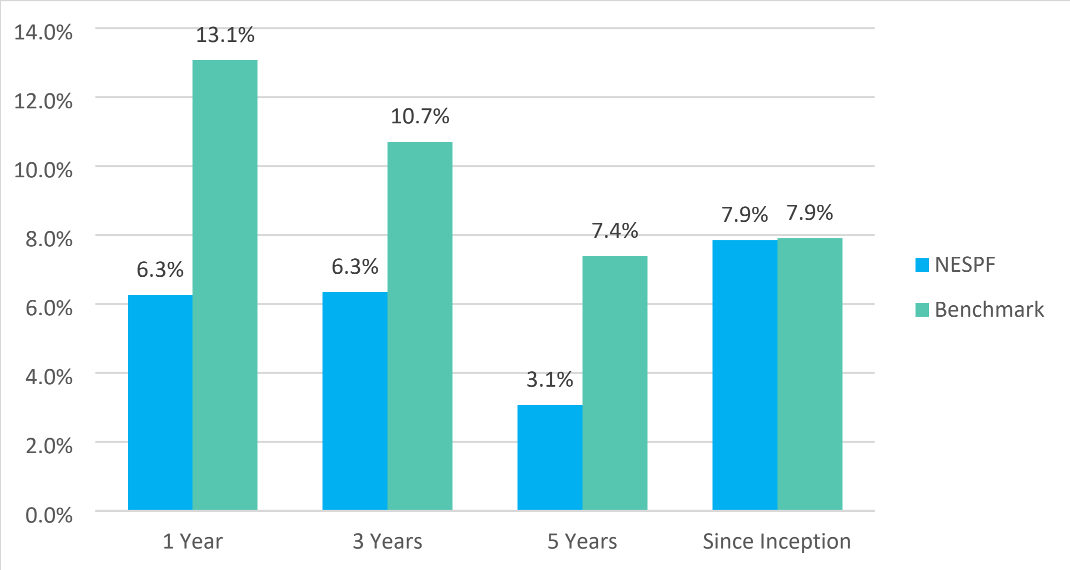
Equities	50.0% (range +/- 5%)
Alternative Assets (including private equity)	5.0% (range +/- 5%)
Bonds/Credit	22.5% (range +/- 5%)
Property/Infrastructure	20.0% (range +/- 5%)
Cash/Other	2.5% (range +/- 5%)

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?

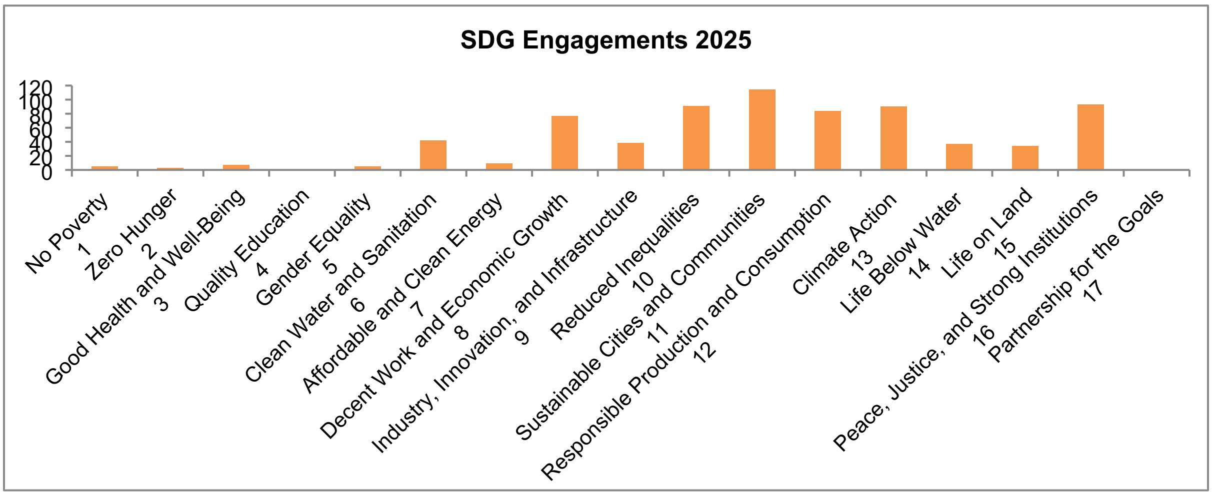
There are several things that we as an investor can do to make changes for the better.

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 asses the human rights implications of locating cloud data centres in countries of significant concern and outlining strategies to mitigate related risks. Resolution 9 'Report on Human Rights Due Diligence', requested that the company assess the effectiveness of its human rights due diligence processes in preventing and identifying misuse of its AI that could contribute to human rights violations or breaches of international humanitarian law. LAPFF issued a voting alert to its members, recommending a vote in favour of both resolutions 8 & 9.

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

Climate

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

Activities – TSMC reaffirmed its commitment to source 60% of its energy from renewables by 2030 and 100% by 2040 across global operations.

The company has become a major driver of renewable energy market development in Taiwan and has raised its Scope 3 supplier emissions reduction target to 50% by 2030. Fifty key suppliers are now aligned with RE100 or RE85 standards, reflecting significant progress in supply chain decarbonisation.

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

Fund Managers

Through our fund managers we can engage with companies more directly by raising concerns and meeting with Senior Management and Executives. Fund managers report their engagements on a quarterly basis so we can monitor engagement activity.

The below is one example of such activity being undertaken through one of our Fund Managers.

SYD & Taronga Conservation Society Partnership

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

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

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

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

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

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

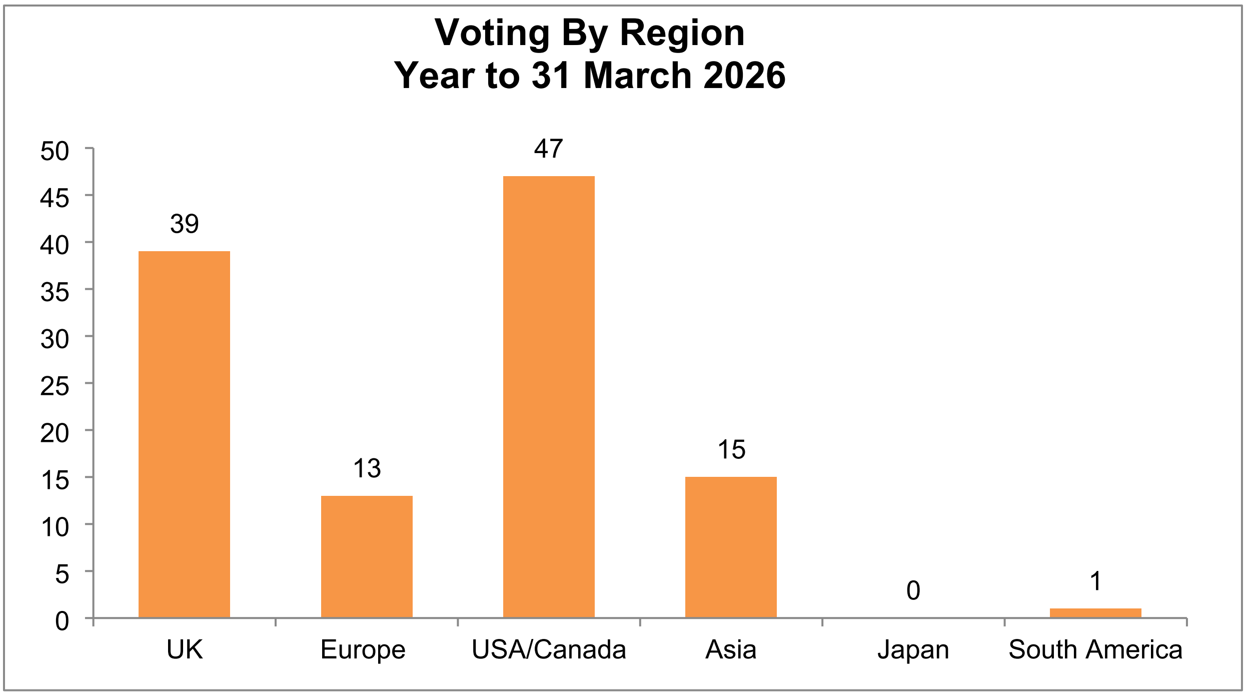
Further information on these initiatives can be found on our website https://www.nespf.org.uk/about/investment/responsible-investment/voting/.
By working together, we and other investors can use our collective size to influence decision making and promote the highest standards of corporate governance and corporate responsibility.

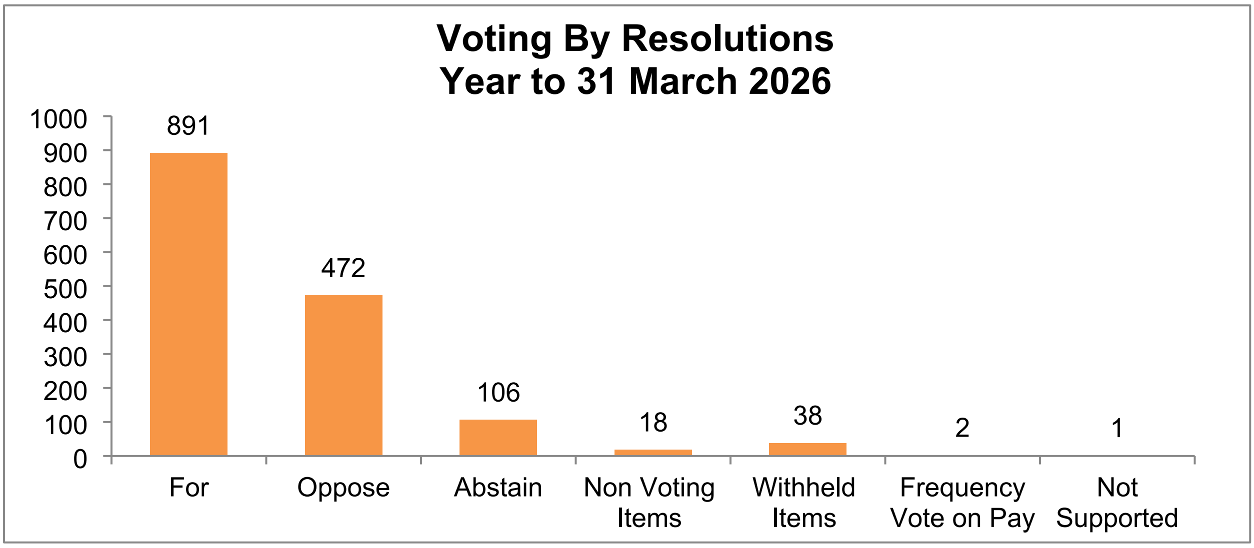
Voting

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	**Jonathan Belford, CPFA**	**Councillor John Cooke**
Chief Executive	**Chief Officer – Finance**	**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	
a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary Committee structure. These include: i) employing authorities (including non Scheme employers, e.g. Admitted Bodies); ii) Scheme members (including deferred and pensioner Scheme members); iii) where appropriate, independent professional observers, and iv) expert advisors (on an ad hoc basis).	Fully compliant
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		**(152,263)**	**(153,169)**
Employers' Surplus Refunds/Exit Payments	5	33,822	4,620
Retirement Pensions	6	171,686	178,715
Retirement Allowances	6	36,105	36,274
Death Gratuities	6	5,596	5,630
Contributions Refunded	7	717	451
Transfer Values	7	8,983	6,117
Withdrawals		**256,909**	**231,807**
Net (Additions)/Withdrawals from dealings with members		**104,646**	**78,638**
Management Expenses	8a	24,855	23,764
Net (Additions)/Withdrawals including Fund Management Expenses		**129,501**	**102,402**
Return on Investment			
Investment Income	9	(85,390)	(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		**(231,435)**	**(409,019)**
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		**(6,344,532)**	**(6,657,738)**

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		**6,247,445**	**6,557,478**
Investment Liabilities			
Investment Purchases Amount Payable		(1,325)	0
Net Investment Assets		**6,246,120**	**6,557,478**
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		**6,344,532**	**6,657,738**

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 £'000	Fees/ Tax £'000	2024/25 Total £'000	Asset Type	Commission £'000	Fees/ Tax £'000	2025/26 Total £'000
362	420	**782**	Equities	574	522	**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 *RICS Valuation Professional Standard*	tenants Assumed vacancy levels Estimated rental growth Discount rate	
Unquoted Equity/Debt & Infrastructure	Level 3	Comparable valuation of similar companies in accordance with *International Private Equity and Venture Capital Valuation Guidelines* (2018)	Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA) multiple Revenue multiple Discount for lack of marketability Control Premium	Valuations could be affected by material events occurring between the date of the Financial Statements provided and the Pension Fund's own reporting date, by changes to expected cashflows and by any differences between audited Accounts

	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	
Values at 31 March 2026	**Level 1**	**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 recatagorised 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	As at 31 March 2026
	£'000	£'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**	**Balance as at 31 March 2026**
		£'000	**£'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 Liabilty 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

ABERDEEN CITY COUNCIL

COMMITTEE	Pensions Committee
DATE	19 June 2026
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Strategy
REPORT NUMBER	PC/JUN26/STRAT
EXECUTIVE DIRECTOR	ANDY MACDONALD
CHIEF OFFICER	JONATHAN BELFORD
REPORT AUTHOR	LAURA COLLISS & MAIRI SUTTIE
TERMS OF REFERENCE	1.4, 4-5

1. PURPOSE OF REPORT

1.1 To inform the Committee and provide recommendations (if applicable) to changes to the North East Scotland Pension Fund.

2. RECOMMENDATIONS

That the Committee:-

2.1 Approve the updates to the Fund policy documents as set out in 6.2 of the main report; and

2.2. Note the remainder of the report for reassurance.

3. CURRENT SITUATION

3.1 See attached main report.

4. FINANCIAL IMPLICATIONS

4.1 The performance of the Fund over the long term can impact on the Fund's funding level and therefore the ability to meet its long-term liabilities.

5. LEGAL IMPLICATIONS

5.1 There are a number of legal implications arising from the implementation of the strategy which have been identified and addressed as set out in this report.

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 The Pension Fund maintains its own Risk Management Policy and regularly updates its Risk Register in line with change. This is reported quarterly to the Pensions Committee.

Appendix I, Copy of Risk Register (May 2026)

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	Lack of effective risk controls in relation to the Fund Strategy.	The Fund maintains its own Risk Management Policy and regularly updates its Risk Register in line with change. This is reported quarterly to the Pensions Committee.	L	**Yes**
Compliance	No significant risks identified.	N/A	N/A	N/A
Operational	No significant risks identified.	N/A	N/A	N/A
Financial	No significant risks identified.	N/A	N/A	N/A
Reputational	No significant risks identified.	N/A	N/A	N/A
Environment / Climate	No significant risks identified.	N/A	N/A	N/A

8. OUTCOMES

8.1 The proposals in this report have no impact on the Council Delivery Plan.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	No assessment required. I can confirm this has been discussed and agreed with Jonathan Belford, Chief Officer-Finance on 21st May 2026.
Data Protection Impact Assessment	Not required
Other	N/A

10. BACKGROUND PAPERS

10.1 None

11. APPENDICES

11.1 Appendix I Copy of Risk Register (May 2026)
Appendix II, PAS Q4 Report

12. REPORT AUTHOR CONTACT DETAILS

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North East Scotland Pension Fund
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Strategy Report

Quarterly Reporting June 2026

1. Background

1.1 Quarterly Report to June 2026

The Pensions Committee will be comprehensively informed via this report as to the current position and any variances to the Fund's strategy and recommendations.

In line with the structural review of the Pension Fund, six specific areas were identified to fully address the strategic management of the Fund;

- Investment
- Accounting
- Benefit Administration
- Systems
- Governance
- Employer Relations

The roles and responsibilities within these areas have been very clearly defined to ensure accountability across the Pension Fund.

To support this, support services updates covering the six strategic areas will also be available via the secure website at http://www.nespf.org.uk/TheFund/Governance/fundgovernance.aspx.

Also available on the Pension Fund website are all the policy documents that govern the Pension Fund including its various strategies.

Appendix I, Risk Register

2. Investment

2.1 Asset & Investment Manager Performance Report

Separate report, provided

2.2 Local Authority Pension Fund Forum (LAPFF)

Copies of the latest e-bulletins, quarterly engagement and annual reports are available at http://www.lapfforum.org.

LAPFF Executive Nomination

Separate report, provided

3. Accounting

3.1 Aberdeen City Council Pension Fund (known as the North East Scotland Pension Fund) Annual Report & Accounts (draft)

Separate report, provided

4. Benefit Administration

4.1 Regulatory Updates

The Pension Schemes Bill completed its passage through Parliament and received Royal Assent, becoming the Pension Schemes Act 2026. This represents a significant milestone in the Government's programme of pensions reform and introduces measures affecting both public and private sector schemes.

The Act enables LGPS reform of investments, pooling and governance in England and Wales, while leaving detailed implementation to secondary legislation. Reforms are due to be implemented on a phased basis.

4.2 Data Protection – new complaint duties

From 19th June 2026, a new right comes into force allowing individuals to make data protection complaints directly to a data controller. It is introduced by the Data (Use and Access) Act 2025 and applies to LGPS administering authorities. The new framework will sit alongside the existing Internal Dispute Resolution Procedure (IDRP). Before the 19th June, data controllers must:

- Give people a way of making data protection complaints against them
- Acknowledge receipt of complaints within 30 days of receiving them
- Without undue delay, take appropriate steps to respond to complaints including marking appropriate enquiries, and keep people informed.

Officers will be reviewing existing processes and communications to ensure we are complaint with these new requirements.

5. Systems

5.1 Performance Reporting

Performance is reported using new business intelligence and analytics software (Insights).

In addition to quarterly performance, the new PAS reporting also includes comparison against the previous quarter, information on data quality and progress on large scale exercises required by regulations e.g. McCloud and Pension Dashboards.

New Key Performance Indicators (KPIs) will come into effect from 1st April 2026. In turn the PAS will be revised and new reporting will follow from September, covering the period from 1st April to 30th June 2026.

Appendix II, Pension Administration Strategy Report

6. Governance

6.1 Scheme Advisory Board

Copies of the latest bulletins and meeting are available at http://lgpsab.scot.

6.2 Document Updates

- **Record Keeping Policy** *(minor updates: grammar, insertion for the Data Use and Access Act 2025 (DUAA))*
- **Training Policy** (minor update to recommend mandatory training modules are refreshed every 2 years)
- **System Access Policy** *(minor updates: change of name from "Aquila Heywood" to "Heywood", removal of sentence relating to Altair systems pre 2024)*
- **Communications Policy** *(added section covering new webinar provision and default position of digital communications)*
- **Conflicts of Interest Policy for Pension Board** *(revised dates in example register)*
- **Overpayments of Pension Policy** *(correction to financial limits in line with ACC Financial Regulations)*
- **Data Protection Policy** *(updates to reflect DUAA 2025 with section added in relation to data protection complaints)*
- **Employer Engagement Policy** (amendments to frequency of financial and administration forums, amended wording in relation to assisting with interpretation of legislation)

Copies of the draft policy documents can be found in the secure member area of the website (www.nespf.org.uk) or copies can be requested from the Governance Team. Any significantly revised or new documents will be included as appendices to this report.

6.3 Breaches of Law

A breach of law occurs where a duty imposed by virtue of an enactment or rule of law; and relevant to the administration of the scheme, has not been, or is not being complied with. There were 19 breaches of law recorded in the NESPF Breaches Register during 2025/26. Three of the breaches were scheme employers failing to meet their statutory obligations e.g. late payment of pension contributions, with two of these coming from an admitted body that later went into liquidation The remainder were personal data breaches resulting mostly from human error. These were reported to the ACC Data Protection Officer in line with our Breaches Policy and a lessons learned report produced. Regular reminders are issued to NESPF staff in relation to data protection and further training will be carried out in 2026/27.

The Pension Fund will continue to engage with scheme employers during 2026/27 and build on the training and support already provided. Officers complete mandatory information governance training annually and will receive further training and reminders to reinforce this throughout the year.

In line with the UK Data Protection legislation certain data breaches must be reported to the Information Commissioners Office i.e. where there is likely to be a risk to the individual(s) rights and freedoms. There were no reports made to the ICO in 2025/26.

6.4 Pensions Committee and Board Training

Separate report, provided

7. Employer Relationship

7.1 Pension Dashboard Programme

The Pensions Dashboard Programme contacted all UK pension funds to ask for their help in recruiting members to test the next phase of the dashboards before they go live. Testing will be carried out over the next 9 months.

The NESPF agreed to issue email requests to all of our active and deferred members who were registered for My Pension+ to invite them to sign up for testing. By volunteering to recruit members, it will allow the Fund to test matching criteria and ensure its data is accurate ahead of the official launch date which is yet to be confirmed.

Following the issue of around 25k+ invitations to My Pension+ users in March 2026, the Dashboard Team were recently happy to report that a total of 498 have signed up to become testers. It is understood that, to date, the NESPF are currently the only Scottish Local Government Pension Scheme (LGPS) to have sent invitations to its members.

7.2 Bon Accord Care and Bon Accord Support

As a result of the transfer of all staff from Bon Accord Care and Bon Accord Support to Aberdeen City Council on 1st May 2026, the admission agreements between the Fund and both entities have terminated. All contracted staff were TUPE'd to Aberdeen City Council and therefore continue their membership of the NESPF as part of their employment with all member records to be merged accordingly.

The assets and pension liabilities held within the Fund in respect of all past service for the two terminated bodies are to be subsumed by ACC with effect from the transfer date. These will be included within the calculation of ACC's funding level and contribution rate requirement for the current valuation exercise.

Risk Register

Pensions Dashboard

In line with best practice and the Pensions Regulator (tPR) Code of Practice, NESPF maintains a risk register to ensure the risks the Fund faces are properly understood, and risk mitigation actions are in place.

This Risk Register is reviewed and updated quarterly, with reporting to the Pensions Committee.

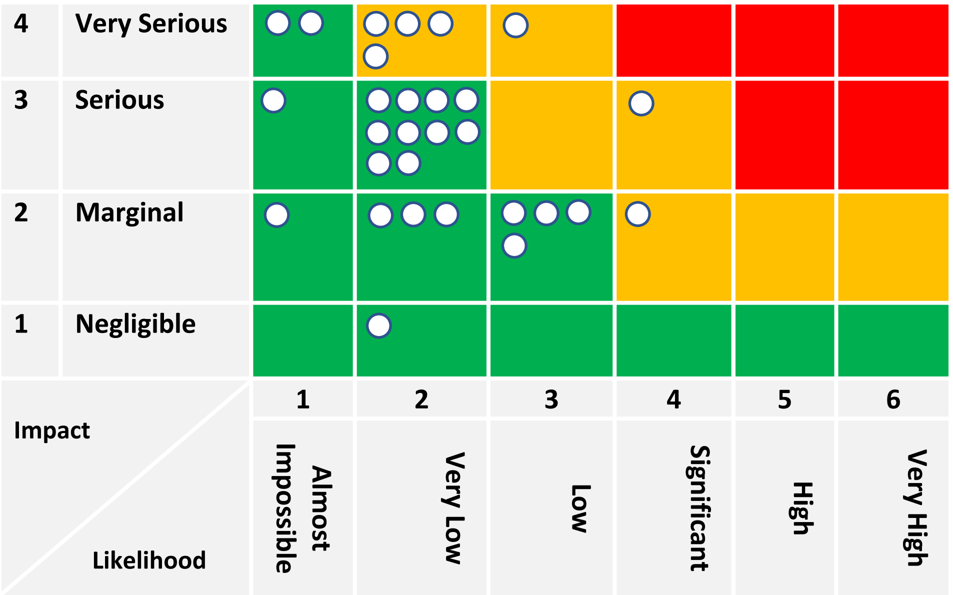
The Pensions Committee is responsible for receiving assurance on the effectiveness of NESPF risk management arrangements as per their Terms of Refence.

Risk Scoring Process

In order to apply an assessment rating (score) to a risk, NESPF implements a 4 x 6 matrix. The 4 scale represents the impact of a risk and the 6 scale represents likelihood of a risk event occurring.

4	Very Serious	4	8	12	16	20	24
3	Serious	3	6	9	12	15	18
2	Marginal	2	4	6	8	10	12
1	Negligible	1	2	3	4	5	6
Impact / Likelihood		1	2	3	4	5	6
		Almost Impossible	Very Low	Low	Significant	High	Very High

Current Heat Map (where risks NESPF001 through 029 fall)



Red = High Priority (urgent action required)
Orange = Medium Priority (assess adequacy of current controls, consider further action required to mitigate risk)
Green = Low Priority (no immediate action subject to exceptions, continue to review)

Last Update: May2026

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
Pension Fund Level									
NESPF001	**Risk:** Lack of effective risk controls **Causes:** Failure to implement risk management framework **Potential Impact:** Operational, financial and reputational issues	• NESPF risk register is reviewed and updated quarterly by senior management team • Consideration by Pensions Committee & Board at quarterly meetings • NESPF specific Risk Management Policy in place and reviewed annually	4	1	4	↔	**TREAT**		**Ongoing**
NESPF002	**Risk:** Poor Governance **Causes:** Lack of robust and effective governance framework and supporting policies and procedures **Potential Impact:** Regulatory compliance issues, inability to determine policies and make effective decisions leading to poor service delivery and reputational risk	• Annual review of Funds Governance Compliance Statement and supporting policies and procedures • Adherence to Council's Scheme of Governance • Committee Effectiveness Service Update to support good governance	3	2	6	↔	**TREAT**	ACC Scheme of Governance annual review approved by Council April 2025.	**Ongoing**
NESPF003	**Risk:** Lack of performance measures **Causes:** Failure to develop performance reporting framework **Potential Impact:** Lack of transparency, poor	• Statutory and local KPI's • Pension Administration Strategy published quarterly • Investment performance (against benchmark)	3	2	6	↔	**TREAT**	PAS reporting review underway. New KPI Policy to be introduced from April 2026. Revised reporting to	**M Suttie, Sept'26**

	performance could go unaddressed	reported to Committee quarterly in AIMP report						Sept'26 Committee meeting.	
NESPF004	**Risk:** Failure of Pensions Committee and Pension Board to operate effectively **Causes:** Poor attendance/commitment to role, high turnover of members, lack of training **Potential Impact:** Non-compliance with regulatory requirements, inability to make decisions or policies, reputational risk	• Publication of Pension Board Annual Report • Training Policy reviewed annually and training register in place • Nomination & Appointment procedure • Annual Committee Effectiveness Service Update • Quarterly Committee & Board Bulletin • Monthly Hymans LOLA Progress Report	3	4	12	↔	**TREAT**	2 long term Committee vacancies and 1 vacancy x Independent. Risk score remains static. Pension Board Annual Report to Jun'26 meeting.	**Ongoing**
NESPF005	**Risk:** Operational Disaster; unable to access the workplace **Causes:** Major incident, natural disaster **Potential Impact:** Loss of service delivery, staff downtime	• ACC Disaster Recovery policy in place • NESPF Business Continuity Plan to address loss/disruption to benefit administration system • Regular meetings between Systems Manager and ACC IT	3	2	6	↔	**TOLERATE**	Disaster Recovery completed for 2026.	**Ongoing**
NESPF006	**Risk:** Failure to recruit, retain and develop staff **Causes:** Limited pool of resources/competition with private sector, lack of training/development opportunities, resource drain from wider priorities	• All staff have individual development plans, reviewed regularly through CR&D • Training register to monitor	3	2	6	↔	**TREAT**	Update provided to Dec'25 committee meeting on ongoing structure review, reviewing existing and anticipated future requirements, with	**Ongoing**

	Potential Impact: Loss of service delivery, risk to succession planning	• 3 dedicated training & development staff • Internal 2 year training programme for benefit admin staff • Future-focused staffing structure, subject to ongoing review • TEC Module adopted in Altair • Modern Apprenticeship programme adoption to "grow our own"						particular focus on retention of key staff/succession planning.	
NESPF007	**Risk:** Pay and price inflation valuation assumptions either higher or lower **Causes:** Economic factors **Potential Impact:** Potential increase in employer contribution rates and liabilities	• Quarterly funding updates to Committee (using FRM) • Tri-ennial valuation • Individual employer contribution rates	2	3	6	↔	**TOLERATE**	Upcoming discussions with Hymans to determine assumptions for 2026 valuation.	**Ongoing**
NESPF008	**Risk:** Over reliance on services provided by the Administering Authority (e.g. HR, Payroll, Legal, IT) **Causes:** VS/ER exercise leading to loss of knowledge and expertise, recruitment freeze, poor service provision, cost constraints **Potential Impact:** Ability to meet regulatory and tPR requirements, staff downtime, loss of service delivery/delays and staff	• Internal controls including policies and procedures • Pensions Administration Strategy in place • Communication between Pensions Manager and ACC Chief Officers	4	3	12	↔	**TREAT**	Update was provided at Dec'25 meeting around short term recommendations from Hymans Operating Model Review. Risk remains static.	**Ongoing**

	time, cyber and IT risk, legal and reputational risk								
Governance									
NESPF009	**Risk:** Failure to adhere to relevant pensions legislation and guidance **Causes:** Political and legislative changes, increased administrative complexity, staff training issue **Potential Impact:** Audit criticism, legal challenge, reputational risk, financial loss and tPR action	• Six monthly compliance review, with annual reporting to Pensions Committee and Board • Active participation at LGPS events, Testing Working Party for administration software updates • Established processes for staff training • Oversight by Pensions Board • Regular benefit admin team meetings to share knowledge • Participations in consultations	3	2	6	↔	**TREAT**	Six monthly compliance review completed Dec'25 including review against TPR's General Code. Onboarded with Dashboards in advance of 31st October deadline. Wider central Government pensions reform progressing and Scottish Elections in 2026.	**Ongoing**
NESPF010	**Risk:** Failure to comply with FOI or SAR requests **Causes:** Missed statutory deadlines due to training or resource issues **Potential Impact:** Audit criticism, legal challenge, reputational risk	• Internal written procedures in place • FOI/SAR log to record & monitor • Online process through GovServices	3	1	3	↔	**TREAT**		**Ongoing**
NESPF011	**Risk:** Conflicts of Interest **Causes:** Competing professional and personal	• Standing agenda item at meetings	2	3	6	↔	**TREAT**	Annual COI review exercise carried out.	**Ongoing**

	interests of staff, Committee and Board members **Potential Impact:** Audit criticism, legal challenge, reputational risk	• Regular discussions between CO-Finance and Pension Fund Manager • Conflicts policy & register in place, with conflicts declarations issued annually							
Benefit Administration									
NESPF012	**Risk:** Fraud/Negligence **Causes:** Dishonesty or human error by staff, scheme members **Potential Impact:** Overpayment/unauthorised payments, system corruption, audit criticism, legal challenge, reputational risk	• Segregation of duties for benefits staff authorising/submitting lump sum payments • Pension payments signed off by benefits senior • Enhanced Admin to Pay and Arrears Modules to provide calculation checks • Participation in National Fraud Initiative exercise • Overseas pensioner existence checking • Breaches Policy & register • Internal Audit control reviews	3	2	6	↔	**TREAT**	Internal Audit Pension Fund Payroll and participation in NFI exercise completed 2025.	**Ongoing**
Investments									
NESPF013	**Risk:** Insufficient assets to meet the Funds long term liabilities **Causes:** Failure of investment strategy or fund managers to produce expected returns	• Quarterly assessment of investment performance and funding updates • Tri-ennial valuation and investment strategy review	4	1	4	↔	**TREAT**	Planning underway for 2026 valuation with the Scheme Actuary.	**Ongoing**

	Potential Impact: Increase in employer contribution rates, investment risk, audit criticism, financial loss	• Diversification of assets • Due diligence of fund managers • External advisor for specialist guidance on strategy							
NESPF014	**Risk:** Failure to monitor investment managers and assets **Causes:** Lack of internal procedures **Potential Impact:** Audit criticism, legal challenge, reputational risk	• Quarterly assessment and reporting of asset performance • Regular meetings with investment managers	3	2	6	↔	**TREAT**		**Ongoing**
NESPF015	**Risk:** Failure of world stock markets **Causes:** Systemic **Potential Impact:** Increase in employer contribution rates, financial loss	• Diversification of Scheme assets • Tri-ennial valuation • Investment strategy review alongside valuation	4	2	8	↔	**TOLERATE**	Next tri-ennial valuation will be carried out by the new scheme actuary, Hymans, with effect from 31 March 2026.	**Ongoing**
NESPF016	**Risk:** Negligence/Fraud/Default **Causes:** Dishonesty by fund managers, lack of care or human error **Potential Impact:** Financial loss, reputational damage	• Due diligence on appointment and appropriate clause in legal agreements • Fund management monitoring • Control reports for audit purposes	2	1	2	↔	**TOLERATE**		**Ongoing**
NESPF017	**Risk:** Failure of Global Custodian **Causes:** Financial market crisis, regulatory/political **Potential Impact:** Loss of assets or control of assets	• Regular meeting with custodian • Service Level Agreement in place	4	2	8	↔	**TOLERATE**		**Ongoing**

Last Update: May2026

		• Receipt of control reports for audit purposes and monitoring							
NESPF018	**Risk:** Failure to implement ESG policy **Causes:** Lack of skills/knowledge, lack of transparency on practices or clear policy **Potential Impact:** Reputational damage	• Member training on roles and fiduciary duties • Policy incorporated within SIP • PRI membership, annual signatory assessment • Monitor impact of climate change • Adoption of TCFD • Quarterly reporting to Committee/Board on voting, carbon footprinting and engagement work. • Risk assessments with Fund Managers and Investment Consultant including Climate Scenario Analysis	3	2	6	↔	**TREAT**	Latest TCFD report included in March report to Committee and published on website in April 2026.	**Ongoing**
Accounting									
NESPF019	**Risk:** Poor financial reporting **Causes:** Lack of internal policies and procedures, failure to keep up to date with changes in the Code of Practice and other overriding changes, training issues	• Comprehensive policies and procedures in place and review of *the Code* • Attending CIPFA meeting and reviews • Regular reconciliations e.g. fund managers, custodian	3	2	6	↔	**TREAT**	Draft Annual Accounts will be presented to June 2026 meeting.	**Ongoing**

	Potential Impact: Qualified accounts	• Internal/External Audits							
Systems									
NESPF020	**Risk:** Failure to secure and manage personal data in line with data protection requirements **Causes:** Cyber-attack, human processing error **Potential Impact:** Audit criticism, legal challenge, reputational risk, financial penalties	• Annual information governance training for staff • Policies and procedures in place and reviewed regularly (Breaches, Data Protection, Systems Access, Retention Schedule, Cyber Incident Response Plan) • Secure physical storage measures • Admin system providers implement range of protections against cyber threats including encryption, firewalls, annual 3rd party penetration testing etc	4	2	8	↔	**TREAT**	Information governance refresher to be completed for 2026. Annual document review underway including Cyber Security policy/Incident Response Plan. ACC Cyber Security and DPO to provide training in June 2026 for NESPF staff	**Ongoing**
NESPF021	**Risk:** Failure of the Fund's administration system **Causes:** Outages, hardware and software failures and cyber attacks **Potential Impact:** Staff downtime, loss of service delivery	• Administration system is hosted externally with back up in separate location • Regular software updates • Business continuity and disaster recovery plans in place	4	2	8	↔	**TOLERATE**	Increased risk of cyber-attacks globally, mitigations in place. Local Contingency Plan and Systems Access Policy reviewed early 2025.	**Ongoing**

								Heywood Cyber Security Testing for 2026 completed and no major issues identified.	
NESPF022	**Risk** Failure to track member status and trace information **Causes:** Poor record keeping **Potential Impact:** Incorrect pension payments, incorrect assessment of actuarial liabilities, tPR action	• Tracing service in place (ATMOS) • Use of 'Tell Us Once' service • Data quality improvement plan including measures to trace • Existence checking	2	3	6	↔	**TREAT**	Tracing exercise underway following provider appointment through National LGPS Framework.	**C Mullen, June 2026.**
Employer Relationship									
NESPF023	**Risk:** Failure to monitor employer covenant **Causes:** Failure of internal procedures **Potential Impact:** Orphaned liabilities could fall on remaining employers	• Continued implementation of Covenant Assessment and Monitoring Policy (within FSS) • Online liability monitor which tracks funding levels and liabilities for each individual employer	2	2	4	↔	**TREAT**		**Ongoing**
NESPF024	**Risk:** Changes in early retirement strategies by employers **Causes:** Public service cuts to funding **Potential Impact:** Pressure on cash flows	• Management through Covenant Assessment and Monitoring Policy (within FSS)	2	3	6	↔	**TREAT**	Increasing budget constraints are leading more employers to redundancy/early retirement exercises. Employers are aware of cost implications. Strain	**Ongoing**

								on Fund factors reviewed by scheme actuary in 2023.	
NESPF025	**Risk:** Employers leaving Scheme or closing to new members **Causes:** Public service cuts to funding, increased pension contribution costs **Potential Impact:** Orphaned liabilities could fall to remaining employers	• Management through Covenant Assessment and Monitoring Policy (within FSS) • Cost Cap mechanism introduced in LGPS regulations • Termination Policy reassessed in line with the 2023 Fund Valuation	2	4	8	↔	**TREAT**	Strong whole Fund financial position means employer exits with funding deficits are less likely, therefore less risk to remaining employers.	**Ongoing**
NESPF026	**Risk:** Longevity **Causes:** Increasing life expectancy rates **Potential Impact:** Increase in employer contribution rates and liabilities	• Tri-ennial valuation undertakes scheme specific analysis including review of life expectancy/mortality assumptions which are set with some allowance for increases	2	2	4	↔	**TOLERATE**	Demographic assessment carried out by the scheme actuary in 2022/23 which was fed into 2023 valuation. Hymans will use Club Vita to feed into next valuation.	**Ongoing**
NESPF027	**Risk:** Employer contributions not received, collected or recorded accurately **Causes:** Lack of staff resources, training issues **Potential Impact:** Orphaned liabilities could fall to remaining employers	• Internal escalation procedures • Breaches policy and register Monthly data submission reconciled by ERT • Quarterly PAS reporting to Committee & Board • Ongoing training provided by dedicated ERT to scheme employers	2	2	6	↔	**TREAT**	New employer contribution rates put in place following 2023 valuation. All employer contribution requirements reduced for inter-valuation period 2024-27. 99% of contributions	**Ongoing**

Last Update: May2026

		• Employer Briefings						received on time in 2025.	
NESPF028	**Risk:** Failure to maintain member records; data incomplete or inaccurate **Causes:** Lack of staff resources, training issues **Potential Impact:** Incorrect pension payments, incorrect assessment of actuarial liabilities, reputational damage, tPR action	• Monthly data from employers which is reconciled by ERT • Quarterly PAS reporting to Committee & Board • Data quality improvement plan implemented • Data readiness assessment for Pensions Dashboard Project	3	2	6	↔	**TREAT**	Legacy Team successfully cleared backlogs to ensure records are as up to date as possible in readiness for Pensions Dashboard connection by 2026 and valuation.	**Ongoing**
NESPF029	**Risk:** The Fund is unable to adequately comply with required administrative processes owing to McCloud judgement **Causes:** Not having the required historic data, adequate resources, sufficient guidance **Potential Impact:** Breaches and potential action by tPR, increase in liabilities, incorrect pension entitlements, damage to Fund reputation	• SAB and other industry guidance • Early and ongoing communication with employers • McCloud project team created	1	2	2	↔	**TREAT**	Now “Live” with McCloud. Majority of historic recalculations completed. Data checks for full compliance to be carried out.	**Ongoing**

North East Scotland Pension Fund
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Pension Administration Strategy

Quarterly Reporting to 31 March 2026

1. NESPF performance from 1st April to 31st March

1.1 Key administration tasks

Measuring performance is essential to evidence the efforts made by both the Pension Fund and Scheme employers to comply with statutory requirements and deliver a high-quality pension administration service.

Measurement and Target	Cases completed	Within target	Percentage achieved	Outwith target	Averge days over target	Previous period percentage	Percentage movement
Death In Service notification within 5 working days	40	40	100.0%	0	1	100.0%	0.0%
Death of Deferred/Pensioner notification within 5 working days New	409	407	99.5%	2	1	98.8%	0.7%
Deferred Benefit Care Only within 60 days New	1,371	1,282	93.5%	89	6	94.1%	-0.6%
Deferred Benefit Final Salary within 60 days New	570	524	91.9%	46	22	91.7%	0.2%
Deferred Benefit notification within 10 working days	1,691	1,673	98.9%	18	3	98.8%	0.1%
Refund within 10 working days	440	421	95.7%	19	4	94.6%	1.1%
Retirement Benefit within 10 working days	1,710	1,228	71.8%	482	2	70.4%	1.4%
Retirement Estimate within 10 working days	475	473	99.6%	2	1	99.4%	0.2%
Transfer In quotation within 10 working days	146	119	81.5%	27	10	79.8%	1.7%
Transfer Out quotation within 10 working days	186	177	95.2%	9	1	97.2%	-2.0%
Totals	**7,038**	**6,344**	**90.1%**	**694**		**89.7%**	**0.4%**

Percentage Analysis

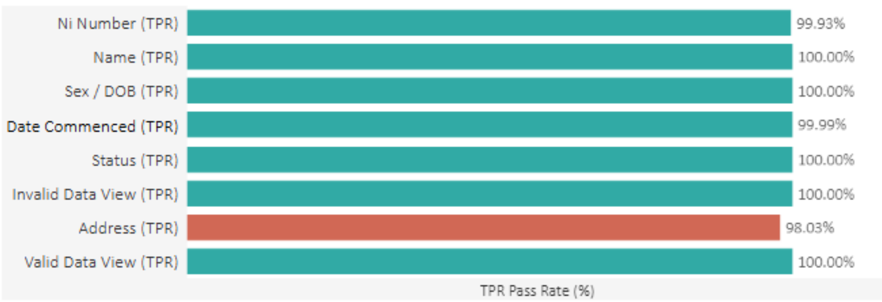
- *Overall percentage achieved within target at 90.1% is a small increase on previous quarter, with number of cases completed rising from 5,355 to just over 7,000. Areas of focus for the Benefit Administration team continue to be retirements and transfers in, as they adapt processes to meet new KPI reporting requirements.*

1.2 Data quality

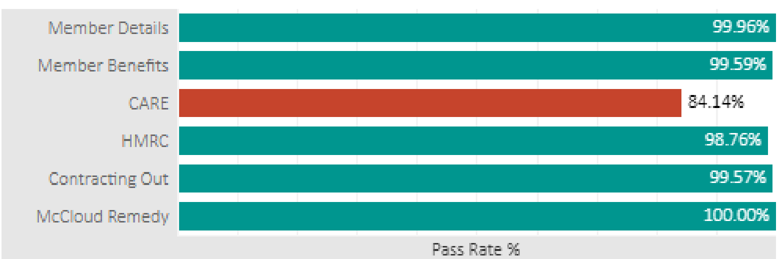
The Pension Regulator (TPR) requires Common and Scheme Specific data to be measured and reported annually in October.

Stage 1 of the Tracing Exercise, approved at the December 2025 Committee meeting, has been implemented.

Common Data Score = 98.7% (TPR target 100%)



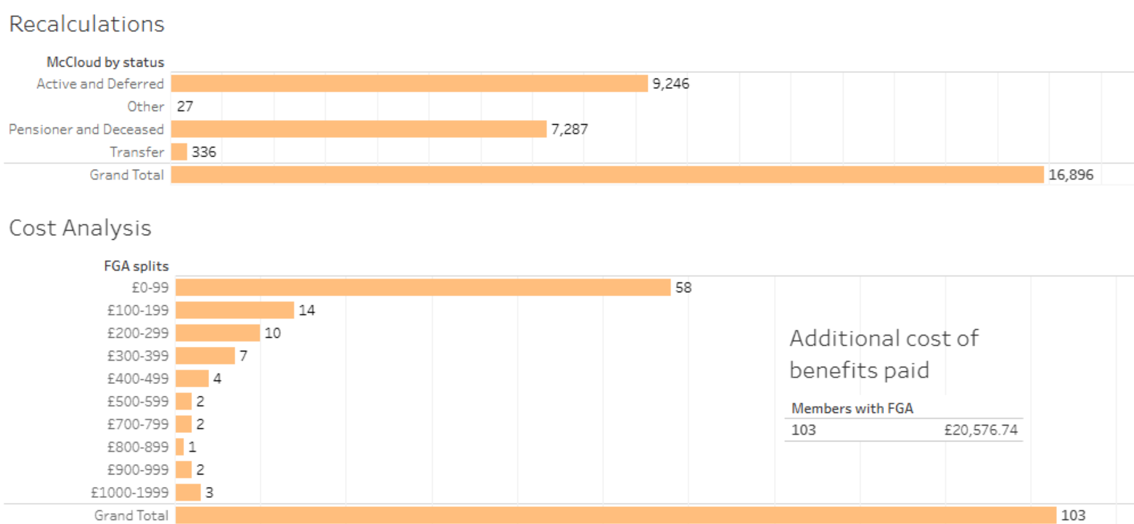
Scheme Specific Data Score = 94.4% (TPR target 100%)



1.3 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 Government stated difference in treatment would be remedied across all public sector schemes.

This dashboard provides results of extending protections by recalculating benefits for all eligible members in accordance with the Local Government Pension Scheme (Remediable Service)(Scotland) Regulations 2023.

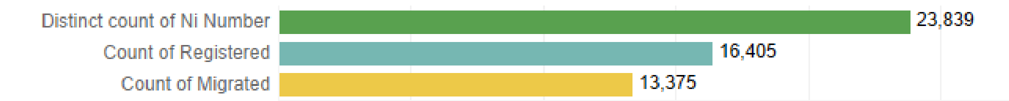


1.4 Members online

My Pension+

This dashboard shows members that have registered for online self service and those that have migrated to *My Pension+* which went live on 26 June 2023.

Actives



Percentages

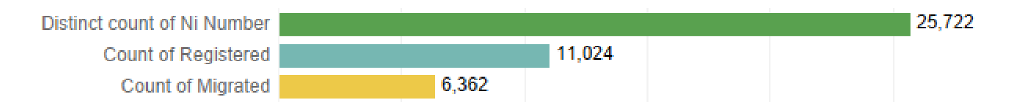
Registered members	68.8%
Migrated members	81.5%

Deferreds

Percentages

Registered members	65.0%
Migrated members	71.5%

Pensioners & Dependants



Percentages

Registered members	42.9%
Migrated members	57.7%

Undecided Leavers

Percentages

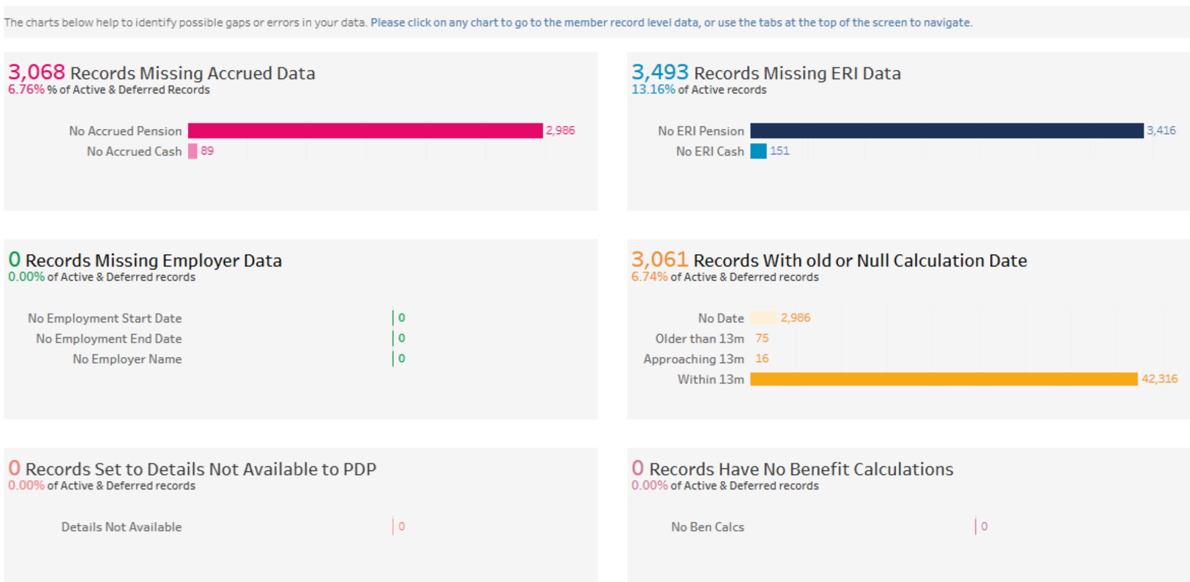
Registered members	57.9%
Migrated members	87.9%

Activation Key requests

1.5 Pension dashboards

This dashboard shows current position with data transferred into our ISP Test environment that will be used for onboarding to the governments ecosystem later this year which is a requirement for all public sector pension schemes. The NESPF will be required to provide Pension Data for all active and deferred pensioners within the Fund.

Member Records	Active	Deferred
45,393	26,535	18,858



ABERDEEN CITY COUNCIL

COMMITTEE	Pensions Committee
DATE	19 June 2026
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Training
REPORT NUMBER	PC/JUN26/TRA
EXECUTIVE DIRECTOR	ANDY MACDONALD
CHIEF OFFICER	JONATHAN BELFORD
REPORT AUTHOR	LAURA COLLISS
TERMS OF REFERENCE	4.1 and 4.2

1. PURPOSE OF REPORT

1.1 To provide details of the training plan (2026/27) for the Pensions Committee and Pension Board of the North East Scotland Pension Fund.

2. RECOMMENDATIONS

That the Committee:-

2.1 Approve the travel of members to attend external training opportunities, as set out in the attached report;

2.2 Approve the updated Training Policy (as per Appendix I); and

2.3 Note the requirement to have completed the Pensions Regulator online training and the Hymans online training in line with the Training Policy.

3. CURRENT SITUATION

3.1 See attached main report.

4. FINANCIAL IMPLICATIONS

4.1 Training costs (train, accommodation and any training attendance fees) will be met by the Pension Fund. Officers liaise with ACC Travel to ensure best value for money when arranging travel for members.

5. LEGAL IMPLICATIONS

5.1 Failing to ensure the Committee and Board members have sufficient training, as detailed in the Fund's Training Policy, could result in the Fund being in breach of the Pensions Regulators' General Code and the Public Service Pensions Act 2013 (PSPA 2013) which set out knowledge and understanding requirements.

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 The risks associated with failure to ensure appropriate training are managed through the Pension Fund's Risk Management Policy and Risk Register, which is updated and reported to the Committee on quarterly basis.

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	No significant risks identified.	N/A	N/A	N/A
Compliance	Failure to acquire and retain adequate levels of knowledge and understanding would result in non-compliance with tPR General Code and PSPA 2013	Committee and Board meet at the same time, and consider the same agenda. Governance review carried out annually.	M	Yes
Operational	Poor governance, inability of Pensions Committee and Board effectively	Committee and Board meet at the same time, and consider the same agenda. Governance review carried out annually.	M	Yes
Financial	No significant risks identified.	N/A	N/A	N/A
Reputational	Fund's reputation may be negatively affected by	Issues will be identified through governance	L	Yes

	breach of regulatory duties and tPR action.	review and rectified.		
Environment / Climate	Any travel will have environmental impact.	Committee & Board travel within Scotland and via train/bus to limit impact.	L	Yes

8. OUTCOMES

8.1 The proposals in this report have no impact on the Council Delivery Plan.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	No assessment required. I can confirm this has been discussed and agreed with Jonathan Belford, Chief Officer-Finance on 21st May 2026.
Data Protection Impact Assessment	Not required
Other	N/A

10. BACKGROUND PAPERS

10.1 None

11. APPENDICES

11.1 Appendix I Training Policy

12. REPORT AUTHOR CONTACT DETAILS

Name	Laura Colliss
Title	Pensions Manager
Email Address	LColliss@nespf.org.uk

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North East Scotland Pension Fund

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Training Report

Annual Report June 2026

1. Current Situation

1.1 Background

There is a requirement under the Pensions Regulator (tPR) and CIPFA/Myners guidance that members sitting on Local Government Pension Scheme Committees and Boards hold a certain level of knowledge and understanding.

The degree of knowledge and understanding is that appropriate for the purpose of enabling the individual to properly exercise the functions of a member of the Pensions Committee or Board.

Pensions Committee and Pension Board members should obtain a satisfactory *collective level* of knowledge and skills in relation to the CIPFA Framework modules.

1.2 Training Delivery and Content

Officers propose to deliver training over the coming period that will address various topics across the Fund, with particular focus on local investment, though the first ever NESPF delivered conference in July. Attendance at the conference is mandatory for Committee and Board members as this will be a key training event.

In terms of the NESPF Government Reform and Local Investment Conference, the training agenda for the two day event will be as follows:

Day 1		**Day 2**	
09:30	Registration	**09:30**	Tea/Coffee
10:00	Opening Remarks	**10:00**	Opening Remarks
10:20	Government Reform	**10:20**	Life Sciences
10:50	Great British (GB) Energy	**11:20**	Break
11:30	Break	**11:50**	Small Midcap Enterprises/Midcap
11:50	Scottish National Investment Bank	**12:50**	Lunch
12:50	The Good Economy	**13:50**	Natural Capital
13:20	Lunch	**14:50**	Closing Remarks
14:20	ISIO – Local Investment		
14:50	Energy Transition		
15:50	Break		
16:10	Housing		
17:10	Closing Remarks/Drinks Reception		

Additional training opportunities, including externally delivered training, will also be highlighted to both Pensions Committee and Pension Board members as and when available through the quarterly Committee & Board Bulletin or by email out with this. It should be noted that these additional opportunities are not mandatory. A variety of training opportunities is simply presented to provide members with flexibility to attend those best suited to their requirements and availability.

At present the below additional external training is available:

- **LGC Investment Seminar Scotland**
  29-30 October, Edinburgh
  (https://investmentseminarscotland.lgcplus.com)

Given the requirements under the Pensions Regulator, CIPFA/Myners and generally good practice, enabling the delivery of members fiduciary duty falls to ensuring member training across the Fund.

1.3 Mandatory Training for Committee & Board Members

The Pensions Regulator Toolkit

The Pensions Regulator (tPR) has an e-learning toolkit for those involved in the governance and administration of a public service pension scheme, specifically aimed at local pension board members.. The Pensions Regulator Toolkit can be found at the following link:

https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes

Pensions Committee and Board members previously agreed to complete tPR's online toolkit as part of their individual training plans (PC/JUN19/TRA) and provide evidence of this to the Governance Manager to record on the training register.

At the time of writing this report, the training register shows **six** members of the Pension Board and **five** members of the Pensions Committee have completed the training.

Committee and Board members who have not already done so or who are new to their role are required to complete this training requirement *as soon as possible* as part of their personal training plans for 2026/27. There are currently seven short modules to complete and an optional module covering pensions scams.

Hymans Online Learning Academy

The Fund procured licenses for Hymans Local Government Pension Scheme (LGPS) Online Learning Academy (LOLA) for Pensions Committee and Board members, following approval by the Pensions Committee in December 2021 (PC/DEC21/PRO).

The online portal is a video-on-demand learning plan with training materials and knowledge checks covering the core requirements of the Pension Regulator's General Code of Practice and the Chartered Institute of Public Finance and Accountancy's Knowledge and Skills Framework.

At the Pensions Committee and Pension Board meeting in June 2022 (PC/JUN22/TRA), members agreed to have completed their Hymans training by March 2023. Six members of the Committee and five members of the Board successfully completed all modules within Version 1 of LOLA during 2022/23.

LOLA Version 2.0 was rolled out in April 2023 with updated modules, training materials and other useful features. The recommendation for Committee and Board in June 2023 (PC/JUN23/TRA) stated "*Note the requirement to have completed the Pensions Regulator online training and the Hymans online training in line with the Training Policy*".

New appointees are required, as per the approved Training Policy, to complete LOLA version 2.0 within 12 months of their appointment, with module 1 being completed prior to their first meeting.

As at March 2026, **eight** Pension Board members and **five** Pensions Committee members have fully completed LOLA version 2.0.

LOLA version 3.0 is due to launch on 28th May 2026, with Officers scheduled to receive a demonstration on the 18th May before its wider release to platform users. All previous training completed on LOLA 2.0 will be recorded against training records and users will begin afresh on 3.0.

LOLA 3.0 has been designed to offer more flexibility for users, with a more instructor led feel, shorter videos distributed through the learning materials along with a more interaction through flashcards and quizzes. These improvements have come about through user feedback.

1.4 Training Record

Training attendance for Committee members was reported previously in the annual Committee Effectiveness Reports, and will continue to be reported through Service Updates going forward. Respectively for members of the Board, training attendance is reported in the Pension Board Annual Report, as well as to both internal and external audit.

Recent years have seen increased opportunities for external training across the pensions industry, although significantly more training is now advertised and promoted to the Pensions Committee and Board, it should be noted that attendance at these events is at the members discretion.

Pensions Committee and Board members should highlight to Officers any areas where further training would be desirable or required, following subjects covered in meetings or attendance at any external training events or conferences.

The latest version of the Training Policy for the Pensions Committee and Board is attached in Appendix I. It is recommended that members approve the updated Policy. Following review, no substantial changes have been made, only minor corrections and a recommendation that mandatory training is refreshed every 2 years.

1.5 Future Developments

In all likelihood, knowledge and skills requirements for Pensions Committee and Board members in Scotland will follow changes planned in England and Wales through the “Fit for the Future” reforms.

Hymans previously ran a National Knowledge Assessment every two years. With the new requirements in England and Wales, this will become an annual exercise and assist Funds in meeting new governance guidelines. It will demonstrate ongoing compliance and can be used as a monitoring tool. Participation in the NKA towards Autumn 2026 would give Officers a good understanding of current knowledge levels across Committee and Board and further communications will be issued around this in due course.

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North East Scotland Pension Fund

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Training Policy

May 2026

Contents

Document	**Training Policy**
Review Date	May 2026
Approval Date	
Author & Team	M Suttie, Governance
Review Date	May 2027

Purpose Statement

This statement details the training agenda for members of the Pensions Committee and Pension Board of the North East Scotland Pension Fund (NESPF), as administered by Aberdeen City Council.

The training policy is designed to support the Pensions Committee and Pension Board in performing and developing their individual roles, with the ultimate aim of ensuring NESPF is managed by members with the necessary skills and knowledge to effectively carry out their responsibilities.

Application & Scope

Expectations

The role of Pensions Committee or Pension Board member is an important one and there are certain expectations placed upon members, including:

- A commitment to attend and participate in training events and to adhere to the principles of this Training Policy;
- The ability to use acquired knowledge to participate in meetings and to ask questions constructively of the information provided by officers, advisers and others;
- Judge the information provided in a fair and open-minded way that avoids pre-determining outcomes; and
- Operate within the Terms of Reference for the Pensions Committee and the elected member Code of Conduct or the Terms of Reference for the Pension Board.

All Pension Fund Committee and Board members (including substitutes) to whom this policy applies are expected to continually demonstrate their own personal commitment to training to ensure they have the necessary skills required to support them in their decision-making role.

Induction Process

On appointment to the Pensions Committee or Board, a member will receive a formal induction by the Scheme Manager, as well as copies of and/or access to the key documentation relevant to the Fund and other useful information, including;

- guide to the Local Government Pension Scheme (LGPS)
- the latest Annual Report and Accounts
- the most recent Actuarial Valuation and Funding Strategy Statement
- the Governance Policy and Compliance Statement
- the Statement of Investment Principles and Compliance with Myners Principles
- copy of the Local Government Pension Scheme (Scotland) Regulations

The induction will provide an overview of the structure and operation of the Fund and insight into the responsibilities of their respective role.

Policy documentation is available to Committee and Board members via the Pension Fund website at www.nespf.org.uk and members should familiarise themselves with the information held on the site.

As part of the induction process:

1) Members of the Pensions Committee and Pension Board **must** complete, by their first meeting or within the first three months of their appointment, whichever is earlier, the online training course provided by The Pensions Regulator in their Public Service Toolkit. The tPR training course should be refreshed every 2 years.

2) Members of the Pensions Committee and Pension Board **must** complete, within the first twelve months of their appointment, the online training courses available on the Hymans Online Learning Academy (LOLA), with the first introductory module being completed before their first meeting. All LOLA modules should be refreshed every 2 years.

This forms the **mandatory** element of the training plan for Pensions Committee and Pension Board members.

Training Plan

Myners Principles

As per the Myners Principles, administering authorities should ensure that:

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

CIPFA Knowledge and Skills Framework

An updated Code of Practice and Knowledge and Skills Framework was published by CIPFA in 2021. The Fund has formally adopted the Framework and will assess all relevant individuals against the suggested standards (Appendix I).

The CIPFA framework sets out the following key areas:

- Pensions legislations and guidance
- Pensions governance
- Funding strategy and actuarial methods
- Pensions administration and communications
- Pensions financial strategy, management, accounting, reporting and audit standards
- Investment strategy, asset allocation, pooling, performance and risk management
- Financial markets and product knowledge
- Pensions services procurement, contract management and relationship management

Pensions Committee and Board members are expected to have collective understanding of these areas of knowledge and skills.

Markets in Financial Instruments Directive (MiFID II) Requirements

Since the introduction of MiFID II from 3rd January 2018, financial institutions including the Local Government Pension Scheme (LGPS) are required to opt up to be classified as an elective professional client, to allow continued access to the full range of vehicles investment managers need to deliver the investment strategy.

To maintain this status, the Pension Fund needs to be able to demonstrate its expertise, experience and knowledge, such that the investment managers can gain reasonable assurance that it is capable of making investment decisions and understanding the nature of risks involved.

This training policy helps to ensure the assessed levels of expertise, experience and knowledge are maintained. The Pension Fund is required to keep this information under review and notify the investment managers of any changes to the collective circumstance which could affect its status.

Pension Board Specific Requirements

In accordance with Section 248A of the Pensions Act 2004, and redrafted by the Public Service Pensions Act 2013, the members of the NESPF Pension Board must be conversant with:

- the rules of the scheme (the Local Government Pension Scheme (Scotland))
- any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme

NESPF Pension Board members should also have knowledge and understanding of:

- the law relating to pensions
- such other matters as may be prescribed

CIPFA have published a separate Technical Knowledge and Skills Framework for Local Pension Board members.

Training Arrangements

The Pension Fund recognises that attaining, and then maintaining, relevant knowledge and skills is a continual process for Pensions Committee and Pension Board members, and that training is a key element of this process.

Training is therefore ongoing for members and consideration will be given to the various training resources available, these may include (but are not limited to):

- employer and scheme member events hosted by the Pension Fund
- internally developed training days and pre/post meeting sessions
- seminars and conferences that are offered by industry wide bodies, specifically the LAPFF annual conference, LGC conferences and Pensions UK (formerly PLSA) conferences

- on-line training including use of the Hymans Online Learning Academy (LOLA)
- seminars and training events offered by the Fund's investment managers and advisors
- use of the secure 'trustee' area of the Pension Fund website
- in addition to the above, Fund officers are available to answer any queries from Committee and Board members.

Training is provided to members of the Pensions Committee and Pension Board through the above range of opportunities in respect of the following topics;

Scheme Governance	Investment Strategy	Support Services
LGPS Status and Legal Framework	Asset Classes	Custody Services
LGPS Regulations	Risk	Service Organisation
Role of Elected Members	Investment Structure	Role of the Chief Officer – Finance
Advisors and their Role	Investment Management and Performance Monitoring	Role of the Pensions Manager and Pensions Team
Actuarial Valuation and Funding Strategy Statement		
Myners Principles		
Risk Management		

Hymans LOLA

Hymans Online Learning Academy (LOLA) consists of 8 core modules, mirroring their LGPS National Knowledge Assessment topics, and covers all key areas needed to successfully manage the running of a Pension Fund:

- Module 1 – Committee Role and Pensions Legislation
- Module 2 – Pensions Governance
- Module 3 – Pensions Administration
- Module 4 – Pensions Accounting and Audit Standards
- Module 5 – Procurement and Relationship Management
- Module 6 – Investment Performance and Risk Management
- Module 7 – Financial Markets and Product Knowledge
- Module 8 – Actuarial methods, Standards and Practices

There is also a "current issues" module which is regularly updated.

The Pensions Regulator's E-Learning Toolkit

The Pensions Regulator has developed an on-line toolkit to help those running public service pension schemes to understand governance and administration requirements. There are eight short modules covering:

- Conflicts of Interest
- Managing Risk and Internal Controls
- Maintaining Accurate Member Data
- Maintaining Member Contributions

- Providing Information to Members and Others
- Resolving Internal Disputes
- Reporting Breaches of Law
- Pensions Scams (optional)

TPR's Toolkit is expected to be refreshed following implementation of their General Code and therefore the modules set out above are subject to change.

Pension Committee and Board members should highlight to Officers any areas where further training would be desirable or required, following subjects covered in Committee meetings or attendance at any external training events or conferences.

Policy Performance

Training attendance records will be maintained by the Pension Fund. These will be reported to the Pensions Committee and Board on an annual basis for consideration.

Where instances are identified of a Pension Board member not meeting the minimum training requirements (i.e. failing to attain and/or maintain the appropriate levels of knowledge and understanding as required under S.248A of the Pensions Act 2004, as amended by the Public Service Pensions Act 2013), an initial discussion will be held to establish whether there are any extenuating circumstances; followed by:

  - no further action (if extenuating circumstances are shown);
  - agreement of an improvement plan; and
  - If no improvement can be demonstrated over a reasonable period of time, necessary steps will be taken to remove the Board member and seek a new appointee.

Supporting Procedures & Documentation

This policy is supported by the policies and procedures that make up the wider governance framework and those prescribed by the Local Government Pension Scheme (Scotland) Regulations. Copies of which are available online at www.nespf.org.uk.

In addition to this training policy, both the Convener and Vice Convener of the Pensions Committee have been provided with a description of their roles and provided further details of training requirements (Appendix II).

Responsibilities

All training costs are met directly by the Pension Fund.

The Pensions Committee will review this policy annually, or in the event of a policy revision and taking account of the results from any training needs analysis and emerging issues.

Day to day responsibility for the implementation of this policy sits with the Chief Officer-Finance and dedicated staff within the Pension Fund section.

Any questions or feedback on this document should be forwarded to the NESPF Governance Team at:

Resources
Level 1, 2MSq
Marischal Square
Broad Street
Aberdeen
AB10 1LP

Email: governance@nespf.org.uk
Web: www.nespf.org.uk

CIPFA Knowledge and Skills Framework

This framework identifies the level of knowledge required **by Pensions Committee members** to ensure that they can carry out effective decision making in respect of the Fund. A separate Framework is in place in respect of the Pension Board.

Level of knowledge required

For Committee members:

- An awareness i.e. recognition that the subject matter exists
- A general understanding i.e. understanding the basis in relation to the subject matter
- A strong understanding i.e. a good level of knowledge in relation to the subject matter but not necessary at a detailed level

CIPFA Knowledge and Skills	
Pensions Legislations and Guidance	General Pensions Framework A **general understanding** of: • the pensions legislative framework in the UK • other legislation that is relevant in managing an LGPS fund, e.g. freedom of information, General Data Protection Regulation (GDPR) and local authority legislation Scheme-specific legislation A **general understanding** of: • the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration, funding, governance, communications and investment, including the LGPS (Scotland) Regulations 2018 and the LGPS (Scotland) (Management and Investment of Funds) Regulations 2010

	An **awareness** of: • LGPS discretions and how the formulation of the discretionary policies impacts on the Fund, employers and scheme members • the latest changes to the scheme rules and current proposals or potential changes to the scheme (regularly updated) <u>Guidance</u> A **general understanding** of: • the requirements of statutory guidance from the Responsible Authority, Scottish Government • the requirements of tPR's Code of Practice An **awareness** of: • the requirements of guidance from the Scheme Advisory Board • the requirements of guidance from the Government Actuary's Department • other guidance relevant to the LGPS, such as from CIPFA
Pensions Governance	An **awareness** of: • the main features and requirements of the LGPS regulations relating to pension scheme governance. • statutory and other guidance relating to pension scheme governance including statutory governance guidance, tPR Code of Practice, CIPFA/SOLACE, Scheme Advisory Board guidance and the Myners Principles. <u>Pension regulators, Scheme Advisory Board and other bodies</u> A **general understanding** of: • how the roles and powers of the Scottish Government, tPR, the Money and Pensions Service and the Pensions Ombudsman relate to the workings of the scheme • the role of the Scheme Advisory Board and how it interacts with other bodies <u>General constitutional framework</u> A **general understanding** of:

- the role of the administering authority in relation to the LGPS
- the role of the pension committees in relation to the Fund, administering authority, employing authorities, scheme members and taxpayers

An **awareness** of:

- the role and statutory responsibilities of the Chief Financial Officer (CFO) and monitoring officer

<u>Fund specific governance</u>

A **strong understanding** of:

- the terms of reference and delegated responsibilities of the Pensions Committee (including any sub-committees), the Pension Board and any other delegated responsibilities to senior officers
- how breaches of law are recorded and managed, and if necessary reported to tPR, including each individual's personal responsibility in relation to breaches

A **general understanding** of:

- the stakeholders of the Fund and the nature of their interests
- who the key officers responsible for the management of the Fund are, how the pension team is structured and how services are delivered
- the Fund's strategies, policies and other key documents
- how risk is monitored and managed, and the Fund's current key risks
- how conflicts of interest are identified and managed
- the Fund's knowledge and skills policy and associated training requirements
- how the effectiveness of the Fund's governance is reviewed

An **awareness** of:

- the Fund's process for dealing with complaints, including its Internal Dispute Resolution Procedure

<u>Service Delivery</u>

A **general understanding** of:

- the required budget and resources needed to manage and administer the Fund

	• the annual business planning cycle and budget setting • the Fund's key performance indicators and other performance measures • the Fund's business continuity policy and cyber security policy
Funding strategy and actuarial methods	An **awareness** of: • the LGPS regulations main features and requirements relating to funding strategy and the setting of employer contributions including associated guidance A **general understanding** of: • the role of the Fund actuary • the funding strategy statement and the expected delivery of the funding objectives • the key risks to the Fund relating to the funding strategy <u>Valuations</u> A **general understanding** of: • the valuation process, including developing the funding strategy in conjunction with the Fund actuary, and inter-valuation monitoring • the importance of employer covenant, the relative strengths of the covenant across the Fund's employers, and how this impacts the funding strategy statement adopted • any legislative and/or benefit uncertainty and the impact of this on the funding strategy • the Scheme valuation and other work carried out by the Government Actuary's Department and the impact this has on the valuation process (i.e. cost management process/Section 13 report) An **awareness** of: • the costs to the employer including employer contributions and early retirement strain costs • the different types of employers that participate in the Fund <u>New employer and exits</u> A **general understanding** of: • the implications of including new employers into the Fund and of the exits of existing employers

	• the relevant considerations in relation to the different types of new employer, e.g. outsourcings, alternative delivery models and also the considerations in relation to bulk transfers

Pensions administration and communications	An **awareness** of:
	• the LGPS regulations main features and requirements relating to:
	    ○ Administration and communications strategies;
	    ○ Entitlement to and calculation of pension benefits;
	    ○ Transfers in and out of the scheme;
	    ○ Employee contributions; and
	    ○ The delivery of administration and communications.
	
	Including associated guidance.
	
	A **general understanding** of:
	• the Fund's Pensions Administration Strategy including how it is delivered (including, where applicable, the use of third party suppliers and systems), performance measures and assurance processes
	• the Fund's communications policy including how it is delivered (including, where applicable, the use of third party suppliers and systems), performance measures and assurance processes
	• best practice in pensions administration, e.g. performance and cost measures
	• the Fund's processes and procedures relating to:
	    ○ Member data maintenance and record-keeping including data improvement plans and relationships with employers for data transmission
	    ○ Contributions collection
	
	An **awareness** of:
	• how the Fund interacts with the taxation system in relation to benefits administration, including the annual and lifetime allowances
	
	A **general understanding** of additional voluntary contribution (AVC) arrangements including:
	• The AVC arrangements that exist
	• The choice of investments to be offered to members
	• The provider's investment and fund performance

	• The payment of contributions to the provider • The benefits that can be received by scheme members • How and when the AVC arrangements, including the investment choices, are reviewed.
Pensions financial strategy, management, accounting, report and audit standards	A **general understanding** of: • the Accounts and Audit Regulations and legislative requirements relating to the role of the committee and individual members in considering and signing off the Fund's accounts and annual report • the various elements of income and expenditure to the Fund, including the operational budget • the cashflows of the Fund and how risks are managed to ensure appropriate cash is available to pay benefits and other outgoings • the role of both internal and external audit in the governance and assurance process
Investment strategy, asset allocation, pooling, performance and risk management	An **awareness** of: • the main features and requirements of the LGPS Regulations relating to investment strategy, asset allocation, the pooling of investments and responsible investments including associated guidance <u>Investment strategy</u> A **general understanding** of: • the key risks that the Fund is exposed to and how a Fund's investment strategy should be considered in conjunction with these risks • the risk and return characteristics of the main asset classes (equities, bonds, property), and the need to balance risk versus reward when determining the investment strategy • the role of these asset classes in long-term pension fund investing • the Fund's cashflow requirements and how this impacts on the types of investments considered <u>Total Fund</u> A **general understanding** of: • the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks

	Performance of the Committee An **awareness** of: • the Myners principles and the need to set targets for the committee and to report against them • the range of support services provided to the committee, who supplies them, and the nature of the performance monitoring regime Responsible investment An **awareness** of: • the latest developments and requirements in the area of responsible investment • the UK Stewardship Code and the United Nations Principles of Responsible Investment (UNPRI) and whether the Fund is signatory to these A **general understanding** of: • the Fund's approach to responsible investment including how views on Environmental, Social and Governance issues are incorporated into the Fund's investment strategy Risk Management A **general understanding** of: • how to manage and reduce risk and lessen impact of risk on assets when it arises
Financial markets and products knowledge	Financial Markets A **general understanding** of: • the primary importance of the investment strategy decision • the workings of the financial markets and of the investment vehicles available to the Pension Fund and the nature of associated risks An **awareness** of: • the restrictions placed by legislation on the investment activities of LGPS Funds

	<u>MiFID II</u> A **general understanding** of: • MiFID II requirements relating to the knowledge of decision makers

Pensions services procurement, contract management and relationship management	<u>Understanding public procurement</u>
	
	An **awareness** of:
	• the main public procurement requirements of UK and EU legislation and the use of national frameworks within the context of the LGPS
	
	<u>Fund suppliers</u>
	
	An **awareness** of:
	• the key decision makers in relation to the Fund's procurements
	• how the Fund's suppliers are monitored, including:
	    ○ The Myners Principles, and
	    ○ The need for strategic objectives for investment consultants
	
	A **general understanding** of:
	• the Fund's suppliers and providers, and their roles in the management of the Fund
	
	<u>Supplier risk management</u>
	
	A **general understanding** of:
	• the nature and scope of risks for the Pension Fund and of the importance of considering risk factors when selecting external suppliers and providers
	• how the Pension Fund monitors and manages the performance of their external suppliers and providers, including business continuity and cyber risk

Local Pension Boards: A Technical Knowledge and Skills Framework	
Pensions Legislation	A **general understanding** of the pensions legislative framework in the UK. An **overall understanding** of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment. An **appreciation** of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers. A **regularly updated appreciation** of the latest changes to the scheme rules.
Pensions Governance	**Knowledge** of the role of the administering authority in relation to the LGPS. An **understanding** of how the roles and powers of the Scottish Government, the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme. **Knowledge** of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure. **Broad understanding** of the role of pension fund committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers. **Awareness** of the role and statutory responsibilities of the treasurer and monitoring officer. **Knowledge** of the Myners principles and associated CIPFA and SOLACE guidance. A **detailed knowledge** of the duties and responsibilities of pension board members. **Knowledge** of the stakeholders of the pension fund and the nature of their interests. **Knowledge** of consultation, communication and involvement options relevant to the stakeholders.

	Knowledge of how pension fund management risk is monitored and managed. **Understanding** of how conflicts of interest are identified and managed. **Understanding** of how breaches in law are reported.
Pension Administration	An **understanding** of best practice in pensions administration, e.g. performance and cost measures. **Understanding** of the required and adopted scheme policies and procedures relating to: • members data maintenance and record-keeping processes • internal dispute resolution • contributions collection • scheme communications and materials **Knowledge** of how discretionary powers operate. **Knowledge** of the pensions administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes). An **understanding** of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration. An **understanding** of what additional voluntary contribution arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.
Pensions Accounting and Auditing Standards	**Understanding** of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice. **Understanding** of the role of both internal and external audit in the governance and assurance process. An **understanding** of the role played by third party assurance providers.

Pensions services procurement and relationship management	**Understanding** of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision makers and organisations. A **general understanding** of the main public procurement requirements of UK and EU legislation. **Understanding** of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties. An **understanding** of how the pension fund monitors and manages the performance of their outsources providers.
Investment performance and risk management	**Understanding** of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks. **Awareness** of the Myners principles of performance management and the approach adopted by the administering authority. **Awareness** of the range of support services, who supplies them and the nature of the performance monitoring regime.
Financial markets and products knowledge	**Understanding** of the risk and return characteristics of the main asset classes (equities, bonds, property). **Understanding** of the role of these asset classes in long-term pension fund investing. **Understanding** of the primary importance of the investment strategy decision. A **broad understanding** of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks. An **understanding** of the limits placed by regulation on the investment activities of local government pension funds. An **understanding** of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments.
Actuarial methods, standards and practices	A **general understanding** of the role of the fund actuary.

	Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring. **Awareness** of the importance of monitoring early and ill health retirement strain costs. A **broad understanding** of the implications of including new employers into the fund and of the cessation of existing employers. A **general understanding** of the relevant considerations in relation to outsourcings and bulk transfers. A **general understanding** of the importance of the employer covenant and the relative strengths of the covenant across the fund employers.

Role Profile for Convener of the Pensions Committee

The role of the Convener of the Pensions Committee requires post holders who have a wide experience of chairing meetings effectively, are good communicators and have at least some knowledge of pensions, financial or HR matters (through Council, personal and/or career experience).

The above Knowledge Framework is developed further for the Convener (and, by implication, the Vice Convener) in the following paragraphs by introducing key skills elements unique to the Convener. This includes an expectation that the Convener should individually have the appropriate level of knowledge in relation to all the competencies in Annex I but noting that in some cases it will be necessary for a higher level of knowledge to be attained in some areas. The administering authority should ensure the Convener is provided with the appropriate training to meet these requirements, preferably within six months of appointment.

1. Convener of the Pensions Committee to preside over the determination of the following, after taking the advice of the Chief Officer – Finance and other advisors:

    - The investment strategy of the Fund or Funds for which the Pensions Committee is responsible
    - The contribution rates of the employing organisations whose current and retired employees are members of the LGPS
    - The appointment of investment and actuarial advisors and other third party services
    - The governance framework
    - The communication strategy of the Fund or Funds

2. And to monitor:

    - The performance of the investments, the pensions administration service, the advisors and agents of the Fund and of the Committee itself
    - The costs of running the Pension Fund and Scheme
    - Comments and feedback from stakeholders

3. And to approve:

- The annual report and accounts of the Fund
- Audit reports on the performance of the Pension Fund service
- Statements on Investment Principles, Governance, Administration and Communication
- The Risk Register and an annual risk analysis
- The medium term business plan and annual updates
- Training and development plans and updates
- Discretions given by statute and regulation to the Pensions Committee in relation to benefits under the LGPS

4. Work with the Chief Officer - Finance and other officers and advisors to plan an effective work programme for the Pensions Committee

5. Report to the administering authority and other employers, as stakeholders, using practical and appropriate means of communication, to give assurances about the Fund's financial statements, risk management and internal control mechanisms

6. Receive regular briefings from the Chief Officer - Finance and other advisors to understand the context and importance of forthcoming issues

EXPECTED SKILLS AND CHARACTERISTICS REQUIRED FOR CONVENER

Requirement	Essential	Desirable
1. Educational	• A strong understanding of pensions, financial or HR matters (through council, personal and/or career experience) • Commitment to individually achieving the required level of knowledge in relation to the CIPFA Framework competencies (or alternative requirements as set out by the administering authority)	• Demonstrable evidence of knowledge kept up to date • Knowledge of pension funds and schemes
2. Work Experience	• Political awareness in numerous political environments • Chairing high level partnership meetings achieving effective outcomes • Has operated for 10 years at a senior level • Experience of risk and performance frameworks	• Previously chaired a pensions committee or similar

3. Abilities, Intelligence & Special Aptitudes	• Chairing skills • Influencing and consensus building • Listening skills • Able to assimilate complex information • Communication and engagement skills	• Mathematical/statistical literacy • Knowledge of public sector and local government finance
4. Adjustment & Social Skills	• Ability to establish and maintain good working relationships with councillors, officers and advisors • Able to direct discussions in politically sensitive environments • Able to command respect and demonstrate strong leadership • Assertive in pursuing the correct course of action • Able to work effectively with colleagues who may have different levels of experience and understanding	• Diplomacy and tact
5. Motivation	• Enthusiastic, not easily deterred and able to convey enthusiasm to others • Committed to the objectives of the Fund	
6. Equal Opportunities	• Understanding of and commitment to promoting equality of opportunity with an understanding of the pension context	

Compliance with the Job Description

1. Pensions Legislative and Governance context

1.1 The pension's landscape is characterised by a complex legislative framework. In addition to the legislation of individual schemes, there are industry-wide statutes that apply in whole or in part to public sector schemes, including the way in which schemes interact with state pensions etc.

1.2 Also of key importance is a knowledge of the governance frameworks that apply within the pensions industry (such as the Myners principles); within individual schemes (such as the LGPS governance statement requirements); and within the organisations that administer the schemes (for example the CIPFA/SOLACE framework *Delivering Good Governance in Local Government*).

Full details of the scheme governance documentation and wider pension fund industry documentation can be found on the Pension Fund website and in the secure trustee area. In addition to this information regular training sessions are held for 'trustees' given by officers, fund managers, the scheme actuary and other advisors. In order to maintain an up-to-date knowledge of the pensions landscape the Convener/Vice Convener must commit to attending a minimum of two UK wide pension conferences per annum. Other events arising during the year that would be of value to the Convener/Vice Convener of the Pensions Committee will be brought to the attention of members by officers.

2. Pensions accounting and auditing standards

2.1 The accounting requirements and associated disclosures are complex and involve a large actuarial element. Consequently this demands an understanding of the regime at all levels within the finance structure in order to comply with the requirements and to communicate the requirements and their implications both internally and externally.

Officers report annually to the Pensions Committee on the scheme annual accounts. Since 2011 the scheme accounts and audit have been separated out from the administering authority financial statement. The scheme auditor reports directly to the Pensions Committee on the scheme accounts.

3. **Investment performance and risk management**

3.1 In the Local Government Pension Scheme and other schemes where contributions are invested and managed to meet future liabilities, understanding investment risk and performance constitutes a major element of the role of finance professionals. The skills required for managing and controlling investment activities are relatively specialised and at present there is no formal framework against which Funds can test their current skills and competencies.

All investment performance and risk management is reported by the Fund custodian. Regular training sessions are given to all Committee members on understanding investment performance and risk reporting. Understanding investment performance and risk are key functions of the Convener and Vice Convener of the Pensions Committee.

4. **Financial markets and product knowledge**

4.1 In those schemes with invested funds, an understanding of financial markets and products is fundamental. The depth of knowledge will depend to some degree upon the particular approach to investment management undertaken by the Fund. The investment activities of LGPS Funds for example can be split into two groups - those Funds that use external managers to manage all of their investment portfolio and those that undertake some or all of their investment activities using in-house investment managers.

The time given during the quarterly meetings of the Pensions Committee to reviewing financial markets and product knowledge is limited. This fundamental knowledge should be updated regularly not only by the Convener and Vice Convener, but all 'trustees' through attendance at a minimum of one investment conference per annum. There is a wide selection of national conferences such as the Pensions UK (formerly PLSA) Investment Conference, however there are also a wide number of conferences hosted by fund managers to which 'trustees' are invited. Likewise attendance at such events as the LAPFF annual conference provides 'trustees' with an insight into future legislation that may impact on the companies in which we invest. Forthcoming conferences are reported to the Pensions Committee regularly.

5. **Actuarial methods, standards and practices**

5.1 The scheme actuary holds a key position in the financial management of a pension scheme. A successful pension scheme financial manager will need to be able to do more than simply manage the relationship with their actuary. They will need to understand, at some levels in detail, the work of the actuary and the way in which actuarial information is produced and the impact it has on both the finances of the scheme and the employer.

The triennial valuation and funding strategy statement are two key documents in the governance of the scheme. A copy of both documents can be found on the secure 'trustee' area of the Pension Fund website. Through regular meetings with the scheme actuary the Convener/Vice Convener, will build up an understanding of the actuarial process and role and influence that key stakeholders such as the Convener and Vice Convener have in the process. Discussions held with other LGPS 'trustees' on an ongoing basis will enhance this process.

ABERDEEN CITY COUNCIL

COMMITTEE	Pensions Committee
DATE	19 June 2026
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	LAPFF Nomination
REPORT NUMBER	PC/JUN26/LAPFF
EXECUTIVE DIRECTOR	ANDY MACDONALD
CHIEF OFFICER	JONATHAN BELFORD
REPORT AUTHOR	LAURA COLLISS
TERMS OF REFERENCE	6

1. PURPOSE OF REPORT

1.1 To seek approval for nomination of an Elected Member representative or Fund Officer to the Local Authority Pension Fund Forum (LAPFF) on behalf of the North East Scotland Pension Fund.

2. RECOMMENDATIONS

That the Committee:-

2.1 agree whether to nominate a Member of the Committee or a Fund Officer to the LAPFF Executive; and

2.2 that if a nomination is to be made, consider those nominated and agree a nominee; and

2.3 if the nominee is accepted by LAPFF, approve the detailed travel costs associated with the membership of the Executive.

3. CURRENT SITUATION

3.1 See attached main report.

4. FINANCIAL IMPLICATIONS

4.1 There will be financial costs for travel costs associated with membership of the LAPFF Executive as set out in the main report. Necessary costs will be met by the Pension Fund.

5. LEGAL IMPLICATIONS

5.1 Aberdeen City Council has a range of statutory responsibilities in respect of its role as administering authority for the North East Scotland Pension Fund. There are no direct legal implications arising from the recommendations in this report.

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 The Pension Fund maintains its own Risk Management Policy and regularly updates its Risk Register in line with change. This is reported quarterly to the Pensions Committee.

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	Lack of effective risk controls in relation to the Fund Strategy.	The Fund maintains its own Risk Management Policy and regularly updates its Risk Register in line with change. This is reported quarterly to the Pensions Committee.	L	Yes
Compliance	No significant risks identified.	N/A	N/A	N/A
Operational	No significant risks identified.	N/A	N/A	N/A
Financial	There will be travel costs associated with LAPFF participation.	These costs will be included within the Pension Fund budget.	L	Yes
Reputational	Failure to nominate an Executive member could have a negative impact on the reputation of the Pension Fund.	The Pension Fund will seek to agree a nomination before the deadline set by LAPFF in future.	L	Yes

Environment / Climate	No significant risks identified.	N/A	N/A	N/A

8. OUTCOMES

8.1 The proposals in this report have no impact on the Council Delivery Plan.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	No assessment required. I can confirm this has been discussed and agreed with Jonathan Belford, Chief Officer-Finance on 21st May 2026.
Data Protection Impact Assessment	Not required
Other	N/A

10. BACKGROUND PAPERS

10.1 None

11. APPENDICES

11.1 None

12. REPORT AUTHOR CONTACT DETAILS

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LAPFF Executive Nomination

June 2026

1. Background

1.1 Local Authority Pension Fund Forum

The Local Authority Pension Fund Forum (LAPFF) exists to promote the long-term investment interests of member funds and beneficiaries and to maximise their influence as stakeholders whilst promoting the highest standards of corporate governance and corporate responsibility at investee companies. Formed in 1990, LAPFF brings together a diverse range of 87 Local Authority Pension Funds and seven pools in the UK with combined assets of over £350 billion.

For LAPFF and its members, corporate responsibility and long-term shareholder value are two sides of the same coin. LAPFF's members have investments in many of the largest global companies. Working together with the majority of the UK's local authority pension funds and pool companies, LAPFF leads the way on issues such as executive pay, reliable accounting and a just transition to a net zero economy, along with significant and tangible improvements in the practices of some of the world's biggest corporations.

Each year the Forum engages with hundreds of companies, many directly with company chairs. This is made possible by building trust and having a two-way dialogue about corporate responsibility. LAPFF's focus is on improving the policies and practices of companies, which they believe is best achieved by having constructive but robust conversations. This approach is not always successful and progress can be too slow. When this happens the LAPFF escalate their engagements. This may include providing voting recommendations to members for company AGM proposals directly to effect change. To leverage engagement outcomes, LAPFF often work with other asset owners and managers.

The Forum participates in several multi-trillion pound collaborations to amplify their voice and accelerate change. LAPFF's understanding of problems facing companies and ability to voice concerns is enhanced by also engaging with company stakeholders.

For LAPFF's responsible investment objectives to be relevant in a rapidly changing economy they have to stay ahead of emerging trends, which alongside the provision of training supports members in their own responsible investment activities.

2. LAPFF Executive

LAPFF protects member pension funds by promoting the highest standards of corporate governance. Being part of the executive enables members to play a prominent role in delivering that mission. Executive membership provides the opportunity to shape the strategic direction of LAPFF as an organisation and to participate in engagements with companies on issues ranging from climate change to employment standards and human rights to executive pay.

Executive members oversee and contribute to the work of LAPFF through quarterly executive meetings, participating in meetings with company chairs and attending AGMs, and more generally supporting initiatives undertaken by LAPFF. The work of the executive is supported by LAPFF's research and engagement partner who provides executive members with materials to give information and insights into responsible investment and engagement issues and to reduce the time pressures on the executive.

The executive committee is a management body compromised of members, including councillors and other pension committee members, officers from funds and pool representatives. The executive sets the strategic priorities for LAPFF, promotes and protects LAPFF's reputation, and provides oversight of LAPFF's work.

The executive discusses and agrees materials, including on engagement priorities, before they go to the membership at business meetings. It also has the power to make decisions on behalf of the Forum that do not need to go to wider membership, including regarding approval of AGM voting alerts. The executive's role also includes ensuring that LAPFF activities are delivering the agreed workplan within the budget.

LAPFF is marked out as an investor organisation because it is led by its member funds. Rather than third parties engaging companies on its behalf, LAPFF does the engagement work itself as asset owners. That way, LAPFF can manage and lead engagements according to its priorities. Being part of the executive provides members with the opportunity to represent the Forum in engagement meetings with investee companies. Following these meetings executive members have the opportunity to give feedback to the membership at business meetings.

The executive meets at least four times a year and there are a further four business meetings and an AGM with the wider membership. Those elected to the executive are expected to attend the majority of those meetings. Executive members are expected to maintain appropriate skills in responsible investment and stewardship and abide by the Forum's conflicts of interest policy. Members are also encouraged, depending on individual's availability, to participate in LAPFF initiatives and company engagements. The LAPFF Business meetings are currently held in a hybrid manner.

Executive members are supported by the LAPFF's research and engagement partner, PIRC. The PIRC team provides members with reports for the executive meetings, which cover policy issues (engagement themes and sectors), updates on engagement activity and progress against the workplan. Executive members undertaking policy-related or company engagement meetings will be provided with a briefing document and supported by a member of the PIRC team in the meeting. For a new executive member's first engagement meeting, another member of the LAPFF executive will lead the meeting and provide advice. For a collaborative meeting with other investors, support will be provided by the lead investor or organiser, as well as by PIRC staff.

Executive Committee Member Role Specification

1. **Role of the Executive Committee**

- Set LAPFF's strategic goals and ensure the necessary financial and human resources are in place to meet LAPFF's objectives.
- Make recommendations and provide advice to the Business Meeting regarding work priorities and manage the annual research and engagement work programme.
- Coordinate the work of all contractors undertaking work for LAPFF.
- Promote the work of LAPFF among colleagues in the pensions, investment and local authority communities, where appropriate.
- Oversee the governance of LAPFF. For more information on the governance aspects of LAPFF and the Executive Committee, please consult the LAPFF Constitution.

2. **Role of Executive Members**

- Allocate sufficient time to read and reflect on meeting papers and attend Executive Committee and Business meetings.
- Contribute to Executive Committee discussions and decisions regarding LAPFF strategy, the annual work plan and budget, recommendations in papers for discussion and responses to consultations.
- Consider and suggest new ideas and strategies for engagement. Participate in appropriate training sessions as required.
- Monitor and identify key risks or trends that may affect LAPFF's work, brand or reputation.
- Represent LAPFF in company engagement meetings, at annual general meetings, or external events, where practicable.
- Assist the Forum Officer with recruitment and retention of LAPFF members.
- Protect and enhance LAPFF's brand and reputation as the leading collaborative shareholder engagement group in the UK.
- Be familiar with LAPFF's policies with regard to environmental, social and corporate governance issues and make efforts to promote these policies where appropriate.
- Declare any conflicts of interest.
- Agree that all LAPFF Executive Committee and Business meeting documents and papers, as well as all company correspondence (letters and meeting notes) remain strictly confidential, unless otherwise agreed by the Executive Committee.

3. **Composition of the Executive**

There shall be elected at each AGM from the organisations in the Forum membership the following Office-holders, each of whom shall become members of the Executive:

a. a Chair of the Forum (Councillor on a LGPS Pension Fund Committee/Panel or trustee equivalent candidate);

b. two Vice Chairs of the Forum (Councillor on a LGPS Pension Fund Committee/Panel or trustee equivalent, or non-executive member of a Publicly Accountable Body); and

c. an Honorary Treasurer of the Forum (Officer working for a local authority or Publicly Accountable Body).

At each AGM there shall also be elected to the Executive:

a. six Authorised Representatives of LAPFF member funds, who are Councillors or trustee equivalent, of whom at least two shall be women.;

b. three Authorised Representatives of LAPFF member funds, of whom at least one shall be a woman, who are Officers of a LAPFF member fund.

c. two authorised pool representatives;

i. one Authorised Representative who is a Councillor, or trustee equivalent, or non-executive member of a Publicly Accountable Body;

ii. one Authorised Representative who is an officer of a LAPFF member fund or executive officer of a Publicly Accountable Body.

3. Recommendation

The LAPFF are seeking a nomination to the Executive and we are seeking this in advance of their deadline. In June 2024, following recommendation, members of the Pensions Committee nominated a Fund Officer to be put forward. Following successful nomination, the Pensions Manager was appointed to the Executive.

We now ask for members to:

- approve putting forward a representative to the Executive, as per Term of Reference 6;

  The Committee shall determine appointments and nominations to the Local Authority Pension Fund Forum (LAPFF) and other outside bodies relevant to its remit.

- agree the nominated individual to put forward to the Executive, giving consideration to the composition of the Executive as set out in item 2 above; and

- approve detailed travel costs associated with the membership

Each of the roles on the Executive will be up for election when the LAPFF issues nomination forms to the membership in mid August.

As stated earlier, Executive meetings are currently being held virtually and Business meetings being held in a hybrid manner. There will be travel costs associated with membership for travel to London and Bournemouth for the AGM. These costs will be met in full by the Pension Fund.

ABERDEEN CITY COUNCIL

COMMITTEE	Pensions Committee
DATE	19 June 2026
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Project Atlas
REPORT NUMBER	PC/JUN26/ATLAS
EXECUTIVE DIRECTOR	ANDY MACDONALD
CHIEF OFFICER	JONATHAN BELFORD
REPORT AUTHOR	CLAIRE MULLEN
TERMS OF REFERENCE	4.1 and 4.2

1. PURPOSE OF REPORT

1.1 To provide an update to the Committee on a large rectification exercise affecting members of the NESPF who are or were employed by Scottish Water after 2002.

2. RECOMMENDATION

That the Committee :-

2.1 note the report for reassurance.

3. CURRENT SITUATION

3.1 See attached main report.

4. FINANCIAL IMPLICATIONS

4.1 There will be financial costs incurred as a result of the project including administration, actuarial, legal and rectification costs. All identifiable costs will be recharged to Scottish Water in line with the Local Government Pension Scheme (Scotland) Regulations.

4.2 Underpaid contributions for both employer and employees will be considered as part of the rectification approach which is still to be agreed.

5. LEGAL IMPLICATIONS

5.1 Both Scottish Water and the impacted Scottish Funds have taken separate legal advice on this matter.

5.2 The Funds are also liaising with the Scottish Public Pensions Agency to ensure compliance with the LGPS (Scotland) Regulations and with the Pensions Regulator (tPR). A joint Breach of Law report has been submitted by the impacted Scottish Funds and regular communication has been undertaken with the Pensions Regulator.

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendation of this report.

7. RISK

7.1 The Pension Fund maintains its own Risk Management Policy and regularly updates its Risk Register in line with change. This is reported quarterly to the Pensions Committee.

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	The requirement to resource and carry out an exercise of this scale will be impactful for the NESPF and its 2026/27 objectives given the unexpected nature of Project Atlas.	Consideration will be given around project planning, timeline and resourcing as part determining the rectification approach. The Fund will consider outsourcing of this exercise to reduce impact.	M	**Yes**
Compliance	In terms of Regulatory Compliance – the Fund will need to ensure impacted member benefits are recalculated and members are returned to the position that they should have been. A breach of the regulations has occurred and this will require rectification.	A Breach of Law report has been sent to the Pensions Regulator (tPR). Both the employer and the Funds are working with tPR and have committed to make the changes required to future pension benefits and affected past service as soon as reasonably possible.	M	**Yes**

	In terms of Legal Compliance, there is potential for tax implications for members as well as other legal considerations.	Funds are working with external legal providers in relation to all aspects of the project. In addition, the Funds are also in discussion with the Scottish Public Pensions Agency (SPPA) around the rectification approach and any temporary changes to regulations that may be required.		
Operational	Resourcing the Fund for the project requirements whilst maintaining a high level of service to all members in the NESPF.	Consideration will be given around project planning, timeline and resourcing as part of determining the rectification approach. The Fund will consider outsourcing of this exercise to reduce impact.	M	**Yes**
Financial	The costs of rectification will be significant.	All Identifiable costs will be recharged to the participating employer. Scottish Water as an employer within the Fund is in a healthy funding position. Any impact of the rectification on liabilities will be considered as part of the triennial valuation and the setting of the employer contribution rate requirement for Scottish Water going forward.	L	**Yes**
Reputational	Careful handling of the communications to affected	A communications workstream was set up early as part of Project Atlas with a	M	**Yes**

	members, staff and other stakeholders will be required to prevent reputational damage to Scottish Water and the Fund.	commitment to transparent communication being a core principal.		
Environment / Climate	No significant risks identified.	N/A	N/A	N/A

8. OUTCOMES

8.1 The proposals in this report have no impact on the Council Delivery Plan.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	No assessment required. I can confirm this has been discussed and agreed with Jonathan Belford, Chief Officer-Finance on 29th May 2026.
Data Protection Impact Assessment	Not required
Other	N/A

10. BACKGROUND PAPERS

10.1 None

11. APPENDICES

11.1 None

12. REPORT AUTHOR CONTACT DETAILS

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Project Atlas

June 2026

1. Background

Scottish Water are a Scheduled Body which means that all staff are contractually enrolled into the Local Government Pension Scheme (LGPS)(Scotland) as part of their employment. Scottish Water participate in three Funds across Scotland; Lothian Pension Fund, Strathclyde Pension Fund and the North East Scotland Pension Fund.

The NESPF were contacted by Scottish Water in March 2026 to discuss a historical issue that they had identified around the treatment of bonus payments to their staff and the interpretation of the LGPS regulations around pensionable pay.

An out performance bonus (AOIP), that has been paid to all staff since the creation of Scottish Water in 2002, and in some cases backdated to 1996 through the three water authorities that merged to create Scottish Water. The AOIP was deemed to be non-pensionable and as such members of the LGPS have not paid contributions on any amounts received and these amounts were not included as part of pensionable pay for the calculation of their pension benefits.

Scottish Water now recognise that AOIP should have been pensionable under the Scheme's rules and as a result, these payments will now count towards pensionable pay. This change will effect AOIP payments going forward but will also apply to historic payments which amounts to a large scale rectification project for the NESPF and its Scottish Water members including active, deferred, pensioner and dependant members. Lothian Pension Fund and Strathclyde Pension Fund will be carrying out this exercise in relation to their members too.

2. Project Atlas

2.1 Members

The NESPF have the following membership numbers in relation to post 2002 service for Scottish Water members:

Active Members: 1200
Deferred Members: 387
Pensioner Members: 885
Dependant Members: 120

In addition benefit payments will have to be recalculated in respect of members who have transferred out of the Scheme or died since 2002. Calculations in respect of transfers in, added years and divorces will also need to be revisited.

For the NESPF we have identified 3 members left prior to 2002 that would also have received bonus payments and therefore will also fall into the project scope.

2.2 Communications

All active staff and pension scheme members were sent emails or letters on Tuesday 26th May 2026 to provide them with a general understanding of the issue and assuring members that that both Scottish Water and the Fund are working to rectify this.

Scottish Water have communicated directly to active employees and the Funds were responsible for contacting deferred, pensioner and dependant members. The NESPF issued 697 letters and issued emails to 695 members where we held valid email addresses.

Where possible all queries have been directed to Scottish Water to ensure consistency of communication. Members and staff were provided with a link to a microsite which will give further information and access to Frequently Asked Questions, which are updated daily. In addition there is a dedicated helpline set up by Scottish Water for members to call.

In addition, to help direct members, the NESPF set up a dedicated telephone team (option 4 from the main helpdesk). Daily calls with Scottish Water were set up to update them and the Funds around the impact, common queries or issues that arise.

2.3 The Pensions Regulator

Having identified the issue, the Scottish Water project team provided a report to the Pensions Regulator to advise them of the regulation breach which included details on their commitment to rectifying the issue by ensuring that members pensions were put back into the position that they should have been had the issue not occurred.

In addition, the three Funds sent a breach of law report to the Regulator in May which again outlined the background around the project, the numbers of members affected and our commitment to working with Scottish Water to resolve this issue.

3. Next Steps

NESPF is working closely with Scottish Water to review historic records so this change can be addressed in line with legislation and in the best interest of members.

Discussions with the scheme actuaries and legal representatives for the three Funds continue so that an approach for the rectification of the benefits can be agreed across all parties.

Due to the age and complexity of these records, it will be some time before we are able to provide an individual assessment of what this means for each member. It is anticipated that individual calculations will not be available until 2027.

Continued transparency and communication with members is a key principal of Project Atlas and therefore the Funds and Scottish Water will update members when and where appropriate.

Further information on the rectification process and resourcing of this large scale exercise will be provided to Committee when progress around agreements are made.

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Exempt information as described in paragraph(s) 6 of Schedule 7A
of the Local Government (Scotland) Act 1973.

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