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ABERDEEN CITY COUNCIL

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

Town House,
ABERDEEN, 12 March 2026

PENSIONS COMMITTEE AND PENSION BOARD

The Members of the **PENSIONS COMMITTEE AND PENSION BOARD** are requested to meet in **Committee Room 2 - Town House on FRIDAY, 20 MARCH 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

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 any 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 12 December 2025 - for approval (Pages 5 - 10)

COMMITTEE BUSINESS PLANNER

6.1. Business Planner (Pages 11 - 12)

NOTICES OF MOTION

7.1. There are currently no motions to the Pensions Committee

INTERNAL AND EXTERNAL AUDIT

8.1. Internal Audit Plan 2026-29 - IA/26/005 (Pages 13 - 22)

8.2. Internal Audit Update Report - IA/26/004 (Pages 23 - 32)

8.3. External Audit - Annual Audit Plan 2025/26 (Pages 33 - 48)

LEGAL OBLIGATIONS

9.1. Review of NESPF Compliance with the Public Service Pensions Act 2013 (PSPA 2013) and Pension Regulator Requirements - PC/MAR26/GOV (Pages 49 - 62)

SCRUTINY

10.1. Statement of Accounts 2025/2026 - Action Plan - PC/MAR26/ACCOUNTS (Pages 63 - 70)

10.2. Strategy - PC/MAR26/STRAT (Pages 71 - 112)

EXEMPT BUSINESS - NOT FOR PUBLICATION

Integrated Impact Assessments related to reports on this agenda can be viewed here Search Integrated Impact Assessments | Aberdeen City Council

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Should you require any further information about this agenda, please contact Stephanie Dunsmuir, email sdunsmuir@aberdeencity.gov.uk

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PENSIONS COMMITTEE AND PENSION BOARD

ABERDEEN, 12 December 2025. Minute of Meeting of the PENSIONS COMMITTEE AND PENSION BOARD. Present:- Councillor MacGregor, Convener; and Councillors Cooke, Davidson, Henrickson, Massey and van Sweeden (Pensions Committee); 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:- 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.

ANNOUNCEMENTS

1. The Convener advised Members that the Fund had been shortlisted for five awards at the LGC Investment Awards held on 28 November 2025, and had been successful in three categories, namely ESG Innovation, Innovation in Administration and Outstanding Individual Contribution for Jenna Watt (Pension Officer in the NESPF Training and Development Team). He further advised that the Fund had also been shortlisted at the Pension Age Awards, to be held in March 2026, in the following categories:-

- Best Investment Strategy
- DB Pension Scheme of the year
- Pension Administration Award
- Pension Scheme Communication Award
- Pension Scheme Innovation Award.

The Committee resolved:-
to congratulate the Fund staff for their success.

DETERMINATION OF EXEMPT BUSINESS

2. 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 – Item 9.1 (Strategy – Confidential / Exempt Appendix).

The Committee was further requested to determine that the following items of business which contained exempt information as described in Schedule 7(A) of the Local

Government (Scotland) Act 1973 also be taken in private – Items 9.2 (Investment Strategy) and 9.3 (Asset and Investment Manager Performance Report).

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 paragraph 6.

MINUTE OF PREVIOUS MEETING

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

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

BUSINESS PLANNER

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

The Committee resolved:-
to note the planner.

STRATEGY - PC/DEC25/STRAT

5. The Committee had before it a report by the Chief Officer – Finance which provided various updates and recommendations (if applicable) to changes to the North East Scotland Pension Fund.

The report provided an update on the Pension Fund Annual Benefit Statements; amendments to the Local Government Pension Scheme (Scotland) Regulations 2018; sought approval for officer travel to various Advisory Committees over 2026; and further sought approval for an overpayment write-off request.

The report advised that the following documents had also been updated as follows:-
- Breaches of Law Policy (information on tPR's Traffic Light System included within the main body of the Policy for greater clarity when determining material significance, updated example breaches register)
- Data Quality Improvement Plan (The DQIP had been reviewed for the period to 31 March 2026. It included updated quality scores for 2024 and 2025 and an

update on the intention to carry out a tracing exercise for “gone away” members in early 2026. The Plan was due to be reviewed again at the end of 2026.

The report recommended:-
that the Committee –
(a) note the final outcome of the annual benefit statement project, which was completed successfully, for assurance (item 4.1 of the main report);
(b) approve the recommendation to write-off the amount of overpaid pension benefits as detailed in the confidential Appendix III (item 4.3 of the main report);
(c) approve the updates to the Fund policy documents as set out in 6.2 of the main report;
(d) approve the travel for one Advisory Committee Officer (Pension Fund Manager or suitable Officer substitute) to attend the following Advisory Committee meetings (item 6.3 of the main report):
- Partners Group, 14-17 May 2026 – Abu Dhabi
- HarbourVest, 11-13 May 2026 – Boston
- RCP, 13 May 2026 – Chicago
- Blackrock, June 2026 – New York
- Unigestion, 24-26 June 2026 – Zurich
- Blackrock, September 2026 – Europe
- IFM, 19-21 October 2026 – Houston;

(e) delegate authority to the Chief Officer – Finance, following consultation with the Convener of the Pensions Committee, to approve travel for one Advisory Committee Officer (Pension Fund Manager or Suitable Officer Substitute) to attend the following Advisory Committee meetings once locations and times have been confirmed:
- Capital Dynamics, Date and Location – TBC; and

(f) note the remainder of the report for reassurance.

<u>The Committee resolved</u>:-
(i) in relation to section 1.2 of the Pension Administration Strategy (Appendix I to the report) and the ‘Address’ data, to note that officers had advised that there were no comparator Funds, but that they would ascertain if any data was available which could be shared with Members;
(ii) to note the request that information be included in future reports on the statistics for how many members had actually viewed their Annual Benefit Statement;
(iii) in relation to the Fund’s response to the Scottish Public Pensions Agency (SPPA) on amendments to the Local Government Pension Scheme (Scotland) Regulations 2018, to note that officers would consider how best to share such responses with Members prior to submission, where possible, noting that timescales could often be challenging;
(iv) to note that Councillor Gordon had advised that he had completed the TPR training as of 22 September 2025 (section 6.4 of the main report);
(v) in relation to the expenditure on travel to Advisory Committees, to note that officers would request that the information on this be provided to the NESPF by Fund

Managers and would share this with Members if available, potentially through the Annual Report and Accounts; and
(vi) to approve the recommendations contained in the report.

In accordance with the decision taken at article 2, the following items of business were considered with the press and public excluded from the meeting.

INVESTMENT STRATEGY - PC/DEC25/INV

6. The Committee had before it a report by the Chief Officer – Finance which provided an update in relation to a re-balancing change within an Equities mandate, as well setting out information on the Principle of Responsible Investment (PRI) results.

Members heard from Mr Buntain in respect of 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:-
to note the report.

ASSET AND INVESTMENT MANAGER PERFORMANCE - PC/DEC25/AIMPR

7. The Committee had before it a report by the Chief Officer – Finance which presented a review of the investment activity of the North East Scotland Pension Fund for the three month period ending 30 September 2025.
Members heard from Mr Buntain in respect of 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 table on page 86 of the report, to note the request from Members that certain portfolios/funds be separated out, and that officers would ascertain how this could be done in future reports;
(ii) to note that officers would ascertain what was meant by ‘monthly run-rate household passings’ (section 11.7, page 105) and advise Councillor van Sweeden outwith the meeting;

(iii) to note that officers would provide further detail to Councillor van Sweeden outwith the meeting in relation to the table on page 121 of the report, particularly in respect of the voting on Directors;

(iv) to note that officers would consider whether there were other ways to measure performance should the benchmark not be met, and whether those measures could be built into the report;

(v) to note that officers would provide information to Members outwith the meeting in respect of the synchronous compensator project (page 150 of the report); and

(vi) to note the report.

\- **COUNCILLOR NEIL MACGREGOR, <u>Convener</u>**

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	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
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.								
3	**20 March 2026**								
4	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		
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	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		
7	Investment Strategy	To present an update of the strategy		Laura Colliss	Finance	Corporate Services	5.2		
8	Review of NESPF Compliance with the Public Service Pensions Act 2013 and Pension Regulator Requirements	To provide a review of compliance for 2024/25		Mairi Suttie	Finance	Corporate Services	4.1 and 4.2		
9	Procurement	To seek approval to procure		Mairi Suttie	Finance	Corporate Services	1.2 and 1.3		
10	Internal Audit Plan 2026-29	To seek approval of the Internal Audit plan for 2026-29		Jamie Dale	Internal Audit	Internal Audit	2.2		
11	Internal Audit Update Report	To provide 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		Jamie Dale	Internal Audit	Internal Audit	2.2		
12	External Audit Annual Plan 2025/26	To present the annual plan		Anne MacDonald	External Audit	External Audit	2.1		
13	**19 June 2026**								
14	Nominations to LAPFF Executive Committee	To determine any nominations		Laura Colliss	Finance	Corporate Services	6.1		
15	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		
16	Internal Audit Annual Report 2025/26	To present the annual report		Jamie Dale	Internal Audit	Internal Audit	2.2		
17	Investment Strategy	To present an update of the strategy		Laura Colliss	Finance	Corporate Services	5.2		
18	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		

	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**
19	Training	To provide details of the training plan (2026/27)		Laura Colliss	Finance	Corporate Services	4.1 and 4.2		
20	Draft NESPF Annual Report & Accounts	To present the draft annual accounts		Laura Colliss	Finance	Corporate Services	3.1		
21	**11 September 2026**								
22	NESPF Annual Report & Accounts	To present the audited annual accounts		Laura Colliss	Finance	Corporate Services	3.1		
23	NESPF Annual Audit Report and Covering Letter	To present the External Audit annual audit report		Anne MacDonald	External Audit	External Audit	2.1		
24	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		
25	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		
26	Investment Strategy	To provide an update		Graham Buntain	Finance	Corporate Services	5.2		
27	Budget Forecast & Projected Spend	Update on budget and annual spend to date		Laura Colliss	Finance	Corporate Services	1.3		
28	**11 December 2026**								
29	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		
30	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		
31	Budget Forecast & Projected Spend	Update on budget and annual spend to date		Laura Colliss	Finance	Corporate Services	1.3		

ABERDEEN CITY COUNCIL

COMMITTEE	Pensions Committee
DATE	20 March 2026
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Plan 2026-29
REPORT NUMBER	IA/26/005
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 seek approval of the attached Internal Audit plan for 2026-29.

2. RECOMMENDATION

2.1 It is recommended that the Committee approve the attached Internal Audit Plan for 2026-29.

3. CURRENT SITUATION

3.1 It is one of the functions of the Pensions Committee to approve the Internal Audit plan relating to the North East of Scotland Pension Fund.

3.2 The audits included in the attached Plan, as well as those in previous and future plans, will help familiarise Internal Audit with the Pension Fund's control environment and governance arrangements, allowing assurance to be provided regarding those arrangements. Where opportunities for improvement in controls and their application, or improvements in value for money, are identified these will be reported along with recommendations for management to consider. Where appropriate, Internal Audit will obtain assurance from other sources, for example external audit, based on their work and reported outcomes.

3.3 Internal Audit's work will be undertaken in compliance with Global Internal Audit Standards and Aberdeen City Council's Internal Audit Charter as approved by the Audit, Risk and Scrutiny 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. RISK

6.1 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. The purpose of this report is to seek approval for the Internal Audit plan.

7. OUTCOMES

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

7.2 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.

8. 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

9. BACKGROUND PAPERS

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

10. APPENDICES

10.1 Appendix A – North East Scotland Pension Fund - Internal Audit Plan – 2026-29

11. REPORT AUTHOR DETAILS

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ABERDEEN
CITY COUNCIL

Internal Audit

North East Scotland Pension Fund
Internal Audit Plan
2026-29

Contents

1 Executive Summary

1.1 Introduction and background

Internal Audit's primary role is to provide independent and objective assurance on the Fund's risk management, control, and governance processes. This requires a continuous rolling review and appraisal of the internal controls of the Fund involving the examination and evaluation of the adequacy of systems of risk management, control, and governance.

The purpose of this report is to seek approval of the attached Internal Audit plan for 2026-2029.

All audits included in the attached Plan, as well as those in future plans, will help inform Internal Audit's opinion on the adequacy and effectiveness of the Fund's framework of governance, risk management and control, which is expressed in an annual report, and provides assurance to the Pensions Committee. Where opportunities for improvement in controls and their application, or improvements in value for money, are identified these will be reported along with recommendations for Management to consider.

2 Internal Audit Plan

2.1 Plan development

Internal Audit operates with a rolling three-year Plan, designed to provide a clearer view of priorities and the broader audit universe. This approach offers flexibility in scheduling work and adapting to changes in risk, priorities, and resources, while maintaining transparency over planned activity. The Plan is reviewed annually to ensure it remains aligned with the organisation's evolving risk environment and strategic objectives, with updates made as required.

In formation of the Plan, Internal Audit:

- **Reviewed historic audit outputs** – The initial planning stage involved a review of completed work from across the previous years. This looked to gauge the assurance that had been obtained recently and develop a baseline that could be built upon with the current Plan. Where it is hoped that the greatest coverage can be obtained in a single year, this is not always possible, so instead it will be ensured that there has been coverage over a number of years, both previously and forward looking.
- **Reviewed the agreed Plan for 2025-28** – In addition to the review of previous assurance work, the agreed plans for 2026/27 and 2027/28, agreed as part of the 2025-2028 Plan overall, were reviewed. This is the starting position for the current Plan; however this will change based on developments in year and the changing risk profile of the Fund.
- **Reviewed Management's progress in implementing agreed audit recommendations** – A review of the work of Management to implement audit recommendations . This looked to identify any areas where management has struggled to implement agreed actions, and where the risks remain, for these to be factored into the audit Plan.
- **Reviewed different sources of information** – A suite of information, primarily Committee reporting and the Fund's Risk Register, was reviewed to further develop Internal Audit's understanding of the operations and issues of the Fund.
- **Reviewed information from other assurance providers** – Discussions were held and reports reviewed from other assurance providers.
- **Held discussion with key stakeholders** – Discussions were held with key stakeholders across the Fund. These discussions focused on three key areas:
    - Key risks within the auditable area.
    - Any recent or upcoming developments.
    - Suggestions for assurance reviews, including value adding pieces of work.
- **Utilised Artificial Intelligence** – For the first time, Artificial Intelligence (Microsoft CoPilot) was utilised in the development of the Plan. Where Microsoft CoPilot is employed where relevant as part of business as usual, in developing the Plan, the System was utilised for analytical support.

- **Benchmarked against other funds** – A review of the Internal Audit plans for other funds as per their Committee reporting available online. This looked to gain an understanding of issues being faced by other funds and identify any auditable areas for North East Scotland.

The Internal Audit Plan for the period April 2026 to March 2029 is presented in Appendix 1 to this report.

The Plan details what Internal Audit anticipates being able to review in the year, assuming stability in resources available to the Service. The Plan is flexible and can be amended to reflect changes in priority or because of new risks being introduced or identified, although consideration needs to be given to the requirement for Internal Audit to complete sufficient work to provide an evidence based annual opinion. Internal Audit will continue to review the Fund's risk registers and update its own risk assessments based on audit findings, throughout the Plan's term.

All audits included in the attached Plan are part of a rolling programme of work, each element of which will help inform Internal Audit regarding the adequacy and effectiveness of the Fund's framework of governance, risk management and control, allowing assurance to be provided regarding those arrangements. Focus will also be given to key risk areas across all reviews e.g. susceptibility and the occurrence of fraud. Where opportunities for improvement in controls and their application, or improvements in value for money, are identified these will be reported along with recommendations for management to consider. This is the priority of the work however where there are opportunities to provide value adding work, this has been factored into the Plan.

The time allocation for all audits assumes that systems to be reviewed are adequately documented, detailing the controls put in place by Management, and that testing identifies that these controls are being complied with. If this is not the case, there will be an impact on the time taken to review planned areas and on the Plan's achievability.

With approval of the Plan, we will work with Management to schedule the audit work for the year. This will look to match our internal resourcing but also ensure that it is suitable for those relevant stakeholders across the Fund. We will look to ensure that management are not inundated with consecutive audits and that fieldwork, where most input is required, is at a time which does not clash with other priorities or commitments.

2.2 Undertaking planned work

When commencing each planned audit, Internal Audit contacts Management responsible for the area to be reviewed along with any other nominated officer. They are reminded of the objective and scope of the review and of how Internal Audit intends to achieve the level of assurance required. Officers are invited to identify any specific aspects of the area to be reviewed that are of particular concern- and all of this is factored into the agreed scoping document. Where Internal Audit will from time to time carry out specific reviews around counter fraud, this will be a consideration for all reviews and factored into scoping where relevant as an inherent risk.

Once fieldwork has been completed, a draft report is issued to Management responsible for the area reviewed along with any other nominated officer. Prior to issuing the final report, Internal Audit seeks confirmation from the officers involved that they are satisfied with the report and actions agreed to address any identified issues.

Outputs from the Fund's Internal Audit Plan will be shared with Aberdeen City Council's Audit, Risk and Scrutiny Committee after they have been considered by Pensions Committee.

Whilst undertaking planned work, it is possible that Internal Audit may identify governance issues that are not within the stated scope of the review being undertaken. Global Internal Audit Standards require that Internal Audit report such instances to those charged with governance. In this respect, Internal Audit's reports may contain issues that appear to be "outwith scope".

3 Appendix 1 – 2026-29 Internal Audit Plan

Function	Auditable Area	Objective	Principal Risk	Assurance
2026/27				
North East Scotland Pension Fund	Pension Fund Fraud Prevention and Detection	To assess the adequacy and effectiveness of controls designed to prevent, detect, and respond to fraudulent pension payments and inaccurate death notifications, along with wider counter fraud considerations.	Financial	Core
2027/28				
North East Scotland Pension Fund	Pensions Investments	To evaluate the effectiveness and compliance of investment strategies, ensuring alignment with regulatory requirements and Fund objectives.	Strategic	Core
2028/29				
North East Scotland Pension Fund	Pension Fund Governance Arrangements	To provide assurance over the governance arrangements and procedures in place including risk management and performance management.	Strategic	Core

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ABERDEEN CITY COUNCIL

COMMITTEE	Pensions Committee
DATE	20 March 2026
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Update Report
REPORT NUMBER	IA/26/004
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 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
March 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 fieldwork for the individual Internal Audit on Key Administrative Processes has been completed. Internal Audit are currently finalising the draft Report with Management, and this will be presented to the next Committee.
- Management has closed all due audit recommendations with none outstanding to include as part of this cycle of reporting. Two recommendations, in relation to Pension Fund Payroll, are due in March 2026. These will be reported to the next Committee.

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	**Review in Progress**

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 31 January 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.

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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North East Scotland Pension Fund

Annual Audit Plan 2025/26

AUDIT SCOTLAND

Prepared for North East Scotland Pension Fund
March 2026

Contents

Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

Introduction

Purpose of the Annual Audit Plan

1. The purpose of this Annual Audit Plan is to provide 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 outlines the audit work planned to meet the audit requirements set out in auditing standards and the Code of Audit Practice, including supplementary guidance.

Appointed auditor and independence

2. We have been appointed by the Accounts Commission as external auditors of the Fund for the period from 2022/23 until 2026/27. The 2025/26 financial year is therefore the fourth of the five-year audit appointment.

3. We are independent of the Fund in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. This standard imposes stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with ethical standards. The arrangements are overseen by the Executive Director of Innovation and Quality who serves as Audit Scotland's Ethics Partner.

4. The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. There are no such relationships pertaining to the audit of the Fund to communicate.

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual report and accounts, namely the Management Commentary, the Annual Governance Statement and the Governance Compliance Statement.
- Conclusions on the body's arrangements in relation to the wider scope areas: Financial Management, Financial Sustainability, Vision, Leadership, and Governance, and Use of Resources to Improve Outcomes.
- Reporting on the Fund's arrangements for securing Best Value.
- An Annual Audit Report setting out significant matters identified from the audit of the annual report and accounts and the wider scope areas specified in the Code of Audit Practice.

Responsibilities

6. The Code of Audit Practice sets out the respective responsibilities of the Fund and the auditor. A summary of the key responsibilities is outlined below.

Auditors' responsibilities

7. The responsibilities of auditors in the public sector are established in the Local Government (Scotland) Act 1973. These include providing an independent opinion on the financial statements and other information reported within the annual report and accounts, and concluding on the Fund's arrangements in place for the wider scope areas.

The Fund's responsibilities

8. The Fund has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of an annual report and accounts, comprising financial statements that give a true and fair view and other information.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

Audit of the annual report and accounts

Introduction

9. The audit of the annual report and accounts is driven by materiality and the risks of material misstatement in the financial statements, with greater attention being given to the significant risks of material misstatement. This chapter outlines materiality, the significant risks of material misstatement that have been identified, and the impact these have on the planned audit procedures.

Materiality

10. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual report and accounts.

11. Broadly, the concept of materiality is to determine whether matters identified during the audit could reasonably be expected to influence the decisions of users of the financial statements. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor’s professional judgement.

12. The materiality levels determined for the audit of the Fund are outlined in Exhibit 1.

Exhibit 1
2025/26 Materiality levels for the Fund

Materiality	
Materiality – based on an assessment of the needs of users of the financial statements and the nature of the Fund operations, the benchmark used to determine materiality is net assets based on the audited 2024/25 financial statements. Materiality has been set at 2% of the benchmark.	£127 million
Performance materiality – this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate that further audit procedures are required. Using professional judgement, performance materiality has been set at 65% of planning materiality.	£83 million

Materiality	
Reporting threshold – all misstatements greater than the reporting threshold will be reported.	£3.8 million

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

13. The risk assessment process draws on the audit team's cumulative knowledge of the Fund, including the nature of its operations and its significant transaction streams, the system of internal control, governance arrangements and processes, and developments that could impact on its financial reporting.

14. Based on the risk assessment process, significant risks of material misstatement to the financial statements have been identified and these are summarised in Exhibit 2, page 8. These are the risks which have the greatest impact on the planned audit approach, and the planned audit procedures in response to the risks are outlined in Exhibit 2.

15. The risk assessment process is an iterative process. The assessment of risks set out in this Annual Audit Plan and Exhibit 2 may change as more information and evidence is obtained over the course of the audit. Where significant changes occur, these will be reported to the Fund and those charged with governance, where relevant.

Key audit matters

16. The Code of Audit Practice requires public sector auditors to communicate key audit matters. Key audit matters are those matters, that in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

17. In determining such matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

18. Key audit matters will be communicated in the Annual Audit Report.

Exhibit 2
Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response
Fraud caused by management override of controls Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	The audit team will: • Evaluate the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries. • Test journal entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias.
Valuation of direct property investment The Fund held £383 million of direct property investments at 31 March 2025 valued at Fair Value. In arriving at their opinion of Fair Value, the valuer has regard to individual property fundamentals and applies the most appropriate approach and methodology. The principal approach adopted has been the Income Approach using the Investment Method. As a result, there is a significant degree of subjectivity in these valuations which are based on specialist assumptions, and changes in the assumptions can result in material changes to valuations.	The audit team will: • Evaluate the design and implementation of controls over the valuation process. • Evaluate the competence, capabilities, and objectivity of the valuer. • Review the information provided to the valuer and assess this for completeness and accuracy. • Obtain an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred. • Agree the year-end valuation reported by the Fund Manager with the property valuer's report. • For a sample of revaluations, review the appropriateness of the: – accounting treatment – categorisation, measurement basis and valuation methodology – key data and assumptions used in the valuation process, and challenge these where required.

Risk of material misstatement	Planned audit response
Estimation of unquoted investments The Fund held £1,270 million of private equity/debt and infrastructure assets as at 31 March 2025. Known as level three investments, there are no observable inputs available for these investments and therefore their valuation involves a significant degree of subjectivity, and valuations are estimated using specialist assumptions. Changes in the assumptions can result in material changes to the valuation of investments.	The audit team will: • Review the values reported in the accounts against the capital statements provided by Fund Managers to ensure these are not materially misstated. • Agree the year end valuation and movements during the year to Investment Custodian's records. • Evaluate the design and implementation of controls over the valuation of level three investments. • Evaluate the competence, capabilities, and objectivity of the investment manager. • Obtain an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred. • For a sample of Fund Manager portfolios with material Level 3 investments, select a sample of fund of fund investments, and: – obtain a copy of the audited fund accounts and reconcile the audited valuations with North East Scotland Pension Fund's accounts using a roll forward analysis where appropriate. – review the audit opinions for any modification and assess impact on our audit – review their valuation policies for reasonableness. • Review fund managers' controls reports to identify if there are any issues that impact on our planned audit procedures.

Source: Audit Scotland

Wider scope and Best Value

Introduction

19. The Code of Audit Practice requires that public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit broadens the audit of the annual report and accounts to include consideration of additional aspects or risks in four wider scope areas:

- **Financial Management** – this means having sound budgetary processes. Factors that can impact on the Fund being able to secure sound financial management include the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption.

- **Financial Sustainability** – this means looking forward over the medium and longer term in planning the services to be delivered and how they will be delivered effectively. This is assessed by considering the Fund's medium to longer-term planning for service delivery.

- **Vision, Leadership and Governance** – this means having a clear vision and strategy, with set priorities within the vision and strategy. This is assessed by considering the clarity of plans in place to deliver the vision and strategy and the effectiveness of the governance arrangements to support delivery.

- **Use of Resources to Improve Outcomes** – this means using resources to meet stated outcomes and improvement objectives through effective planning and working with partners and communities. This is assessed by considering the Fund's arrangements for ensuing resources are deployed to improve strategic outcomes, meet the needs of service users, and deliver continuous improvement.

20. A conclusion on the effectiveness and appropriateness of arrangements the Fund has in place for each area will be reported in the Annual Audit Report.

Best Value

21. North East Scotland Pension Fund is administered by Aberdeen City Council. As pension funds are not local authorities or separate bodies that fall within section 106 of the Local Government (Scotland) Act 1973, the statutory responsibility for securing Best Value for pension funds lies with the administering local authority, Aberdeen City Council. Consideration of Best Value arrangements will therefore be carried out as part of the council's audit.

Significant wider scope risks

22. The risk assessment process has identified significant risks in the wider scope areas as outlined in Exhibit 3, and this includes the planned audit procedures in response to the risks.

Exhibit 3
Significant wider scope

Description of risk	Planned audit response
Governance Two long standing vacancies on the Pensions Committee continue to exist with no immediate resolution expected as a result of political differences. Members of the committee effectively act as trustees for the benefit of members of the pension fund. There is a risk the vacancies on the committee place significant pressure on its ability to operate effectively and ensure there is appropriate scrutiny of complex activities.	Review the operation of the Pensions Committee, assess the level of scrutiny and challenge undertaken and consider any implications for the governance statements.

Source: Audit Scotland

Reporting arrangements, timetable and audit fee

Audit outputs

23. The outputs from the 2025/26 audit include:

- This Annual Audit Plan.
- An Independent Auditor's Report to Aberdeen City Council as administering authority for North East Scotland Pension Fund and the Accounts Commission setting out opinions on the annual report and accounts.
- An Annual Audit Report to the Fund and the Controller of Audit setting out significant matters identified from the audit of the annual report and accounts, conclusions from the wider scope audit, any good practice identified and recommendations, where required.

24. The matters to be reported in the outputs will be discussed with the Pension Fund Manager for factual accuracy before they are issued. All outputs from the audit will be published on Audit Scotland's website, apart from the Independent Auditor's Report, which is included in the audited annual report and accounts.

25. Target dates for the audit outputs are set by the Accounts Commission. In setting the target dates, consideration is given to the statutory date for approving the annual report and accounts, which is 30 September 2026 for local government bodies.

Audit fee

26. The audit fee is determined in line with Audit Scotland's fee setting arrangements. The proposed audit fee for the 2025/26 audit is £54,520 (2024/25: £55,650; being an initial fee of £52,250 and an additional fee of £3,400).

27. In setting the audit fee, it is assumed that the Fund has effective governance arrangements in place and the complete annual report and accounts will be provided for audit in line with the agreed timetable. The audit fee assumes there will be no significant changes to the planned scope of the audit. Where the audit cannot proceed as planned, for example, due to incomplete or inadequate working papers, the audit fee may need to be increased.

Audit timetable

28. Achieving the timetable for production of the annual report and accounts, supported by complete and accurate working papers, is critical to delivery of the audit to agreed target dates. Exhibit 4 includes a timetable for the audit, which has been agreed with management. Agreed target dates will be kept under review as the audit progresses. Any changes required, and their potential impact, will be discussed with the Pension Fund Manager and where appropriate, reported to those charged with governance.

Exhibit 4
2025/26 audit timetable

<table>
<tr><th>Audit activity</th><th>Pension Fund target date</th><th>Audit team target date</th><th>Pensions Committee date</th></tr>
<tr><td>Issue of Annual Audit Plan</td><td colspan="2">11 March 2026</td><td>20 March 2026</td></tr>
<tr><td colspan="4">Annual report and accounts:</td></tr>
<tr><td>• Consideration of unaudited annual report and accounts by those charged with governance</td><td>12 June 2026</td><td>-</td><td>19 June 2026</td></tr>
<tr><td>• Submission of unaudited annual report and accounts and all working papers to audit team</td><td>By 30 June 2026</td><td>-</td><td>-</td></tr>
<tr><td>• Latest date for audit clearance meeting</td><td colspan="2">19 August 2026</td><td>-</td></tr>
<tr><td>• Issue of draft Annual Audit Report to officers for comment</td><td colspan="2">24 August 2026</td><td>-</td></tr>
<tr><td>• Agreement of audited unsigned annual report and accounts</td><td colspan="2">2 September 2026</td><td>-</td></tr>
<tr><td>• Issue of draft Letter of Representation, proposed Independent Auditor’s Report, and proposed Annual Audit Report to Pensions Committee</td><td>-</td><td>4 September 2026</td><td>11 September 2026</td></tr>
<tr><td>• Approval by those charged with governance and signing of audited Annual Report and Accounts</td><td>-</td><td>-</td><td>11 September 2026</td></tr>
<tr><td>• Signing of Independent Auditor’s Report and issue of Annual Audit Report</td><td>-</td><td>By 30 September 2026</td><td>-</td></tr>
</table>

Source: Audit Scotland

Other matters

Internal audit

29. The Fund is responsible for establishing an internal audit function as part of an effective system of internal control. As part of the audit, the audit team will obtain an understanding of internal audit, including its nature, responsibilities, and activities.

30. While internal audit and external audit have differing roles and responsibilities, external auditors may use the work of internal audit where it is considered appropriate. Following a review of internal audit's 2025/26 audit plan, the audit team is not currently planning to use the work of internal audit to provide assurance. The chief internal auditor's reports will however be considered and their impact on the audit will be assessed on an ongoing basis.

Audit quality

31. Audit Scotland is committed to the consistent delivery of high-quality audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. Details of the arrangements in place for the delivery of high-quality audits is available from the Audit Scotland website.

32. The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2025/26 audits are:

- ISQM (UK) 1, which deals with an audit organisation's responsibilities to design, implement, and operate a system of quality management (SoQM) for audits. Audit Scotland's SoQM consists of a variety of components, such as governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring Audit Scotland is dedicated to high-quality audit through engagement performance and resourcing arrangements, and ensuring there are robust quality monitoring arrangements in place. Audit Scotland carries out an annual evaluation of its SoQM and has concluded it complies with this standard.
- ISQM (UK) 2, which sets out arrangements for conducting engagement quality reviews, which are performed by senior management not involved in an audit, to review significant judgements and conclusions reached by the audit team, and the appropriateness of proposed audit opinions on high-risk audits.

33. To monitor quality at an individual audit level, Audit Scotland carries out internal quality reviews on a sample of audits. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) carries out independent quality reviews on a sample of audits.

34. Audit Scotland may periodically seek the views of the Fund on the quality of audit services provided. The audit team would also welcome feedback at any time.

North East Scotland Pension Fund

Annual Audit Plan 2025/26

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AS.5.0

ABERDEEN CITY COUNCIL

COMMITTEE	Pensions Committee
DATE	20 March 2026
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Review of NESPF Compliance with the Public Service Pensions Act 2013 (PSPA 2013) and Pension Regulator Requirements
REPORT NUMBER	PC/MAR26/GOV
DIRECTOR	ANDY MACDONALD
CHIEF OFFICER	JONATHAN BELFORD
REPORT AUTHOR	LAURA COLLISS & MAIRI SUTTIE
TERMS OF REFERENCE	4.1 and 4.2

1. PURPOSE OF REPORT

1.1 To provide Elected Members with 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.

2. RECOMMENDATION

That the Committee: -

2.1 Note the assurance provided in the main report.

3. FINANCIAL IMPLICATIONS

3.1 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.

4. LEGAL IMPLICATIONS

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

5. ENVIRONMENTAL IMPLICATIONS

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

6. MANAGEMENT OF RISK

6.1 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 governance framework and effective internal controls.	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	Failure to meet statutory and regulator requirements.	The Pension Fund carries out a six monthly compliance review, with annual reporting to the Pensions Committee.	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 risks identified.	N/A	N/A	N/A
Environment / Climate	No significant risks identified.	N/A	N/A	N/A

7. OUTCOMES

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

8. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	No assessment required. I can confirm this has been discussed and agree with Jonathan Belford, Chief Officer-Finance on 3rd March 2026.
Data Protection Impact Assessment	Not required
Other	N/A

9. BACKGROUND PAPERS

9.1 None

10. APPENDICES

10.1 None

11. REPORT AUTHOR CONTACT DETAILS

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North East Scotland Pension Fund

nespf

Governance Review –

Compliance with the Public Service Pensions Act 2013 and Pension Regulator Requirements

Annual Report to March 2026

1. Background

1.1 Governance Framework Review

A review of the Fund's governance framework is conducted on an annual basis. The purpose of the review is to assess current practices and procedures; ensuring the Fund has in place a robust governance framework and complies with legislation and best practice guidance.

In terms of Scheme compliance with legislation such as the Local Government Pension Scheme (Scotland) Regulations, the Public Service Pensions Act 2013 (PSPA 2013) and The Pensions Regulator (tPR) requirements (as set out in the General Code of Practice), a review is carried out on a six monthly basis by Fund officers with annual reporting to the Pensions Committee.

TPR's General Code of Practice came into effect in March 2024. In preparation for the new Code and following its implementation, the Governance Team undertook a full compliance review against the requirements. This allowed a Gap Analysis to be carried out and areas for improvement identified.

This report focuses primarily on governance relating to the North East Scotland Pension Fund Pension Board. The Pensions Committee is covered separately in other reports primarily the Training Report which is usually presented during the June meeting and through the annual Pensions Committee Effectiveness service update.

1.2 Pension Board

The NESPF Pension Board is made up of equal numbers of member (4) and employer (4) representatives as follows:

- 1 x Aberdeen City Council
- 1 x Aberdeenshire Council
- 1 x The Moray Council
- 1 x Scheduled/Admitted bodies
- 1 x Unison
- 1 x Unite
- 1 x GMB
- 1 x UCATT (merged with Unite)

The role of the local pension board is to assist the Scheme Manager to:

- Ensure effective and efficient governance and administration of the Local Government Pension Scheme (LGPS); and
- Ensure compliance with the LGPS (Scotland) Regulations and other relevant legislation, together with any requirements imposed by tPR.

The Pension Board has a monitoring, assisting and reviewing purpose rather than being a decision-making body. In so doing, the Pension Board is helping to manage the reputational risk of the Fund, and of the administering authority.

Meeting Attendance

During 2025/26 the Pension Board met formally (and concurrently with the Pensions Committee) on:

20 June 2025
12 September 2025
12 December 2025
20 March 2026

High attendance levels, and active participation at both the quarterly meeting and training events, demonstrates a strong commitment to the ongoing effectiveness of the NESPF Pension Board. In addition, low turnover of members ensures knowledge and experience is retained.

During 2025/26 there was an overall 79% attendance rate at meetings (up to December 2025). There is no change from the attendance percentage reported at the same point in 2024/25.

There was 1 leaver and 1 new appointment during 2025/26.

The table below details meeting attendance during 2025/26:

Name	20/06/25	12/09/25	12/12/25	20/03/26*	Individual (out of a possible 4)*
Trade Union (Member)					
Morag Lawrence	✓	✓	✓	✓	4
Neil Stirling	✓	✓	✓	✓	4
Alan Walker	✓	X	✓	✓	3
Gordon Walters	✓	✓	✓	✓	4
Employer					
Cllr Stephen Smith	✓	✓	✓	✓	4
Cllr Jessica Mennie**	X				
Cllr David Gordon	✓	✓	✓	✓	4
Stuart Thompson	✓	X	✓	✓	3
Cllr David Cameron**		X	X	✓	1

*Projected attendance (as at date of report)

Notes:

** Councillor David Cameron replaced Councillor Jessica Mennie on the Pension Board with effect from 14/08/2025.

Training Attendance 2025/26

It is a statutory requirement under Schedule 4 of the PSPA 2013 that members of local pension boards have “knowledge and understanding” of pensions law and are “conversant” with Scheme regulations and Fund documents. The issue of training is approached carefully by both the administering authority and individual Board members.

The Board sits separately in June, following the main Committee and Board meeting, to review their annual report. This provides an opportunity for any issues around attendance to be addressed or gaps in training or knowledge to be discussed. Members are also asked during this meeting to appoint a new Chair and Vice Chair for the forthcoming year.

During 2025/26 Pension Board members have continued to demonstrate a commitment to developing their “knowledge and understanding” by attending various optional training events covering key areas as set out below. Board members are expected to carry out an annual personal assessment of their knowledge and understanding and ensure they are meeting the requirements of the Training Policy.

Fund officers maintain a Training Register to allow attendance to be monitored on an ongoing basis. The Training Policy, approved by Committee and reviewed annually, sets out review arrangements to address any poor attendance or failure to achieve or maintain the required level of knowledge and understanding. A copy of the Training Policy is available at https://www.nespf.org.uk/about/policies-and-statements/.

The table below details training attendance for 2025/26 to date as per our records:

Training Sessions Attended **See below for corresponding training session**	**Morag Lawrence**	**Neil Stirling**	**Alan Walker**	**Gordon Walters**	**Cllr David Gordon**	**Cllr Stephen Smith**	**Cllr Jessica Mennie**	**Stuart Thompson**	**Cllr David Cameron**
A	✓	✓	✓	✓	✓	✓		✓	✓
B	✓	✓	✓		✓	✓			✓
Total Mandatory Sessions	**2**	**2**	**2**	**1**	**2**	**2**		**1**	**2**
C						✓			
D						✓			

E	✓				✓	✓			
F						✓			
G	✓		✓	✓	✓	✓		✓	✓
H	✓								
I	✓	✓	✓		✓	✓			
J*	✓		✓			✓			
K	✓								
L	✓								
M	✓								
Total Optional Sessions	**8**	**1**	**3**	**1**	**3**	**7**		**1**	**1**

Notes:

* Projected attendance (at date of preparing this report)

As above, Councillor David Cameron replaced Councillor Jessica Mennie on the Pension Board with effect from 14/08/2025.

Mandatory Training Sessions (as set out the approved Training Policy):

A. Hymans Robertson: LGPS Online Learning Academy

Version 2.0 of their LGPS online learning academy, the topics covered are as follows;

- Committee Role and Pensions Legislation
- Pensions Governance
- Pensions Administration
- Pensions Accounting and Audit Standards
- Procurement and Relationship Management
- Investment Performance and Risk Management
- Financial Markets and Product Knowledge
- Actuarial Methods, Standards and Practices
- Current Issues (regularly updated)

B. The Pensions Regulator Public Service Toolkit

TPR’s online Toolkit covers the governance and administration of public service schemes, as described in their Code of Practice:

- 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 the law

Additional Training Opportunities:

C. **LGPS Live - 14/05/2025 (Webinar)**
The focus of this session was “A year in the life: 12th LGPS Scheme Annual Report”.

D. **SAB Meeting - 21/05/2025 (Hybrid)**
Pension Board Chairs were invited to attend the quarterly Scheme Advisory Board meeting.

E. **Hymans – 30/09/2025 (Live Online)**
This live session covered the role and responsibilities of the Pension Board.

F. **LGPS Live – 01/10/2025 (Webinar)**
The focus of this session was “Everyone’s talking about the LGPS”.

G. **The Pensions Regulator Training Session - 12/08/2025 (Live Session)**
This interactive session was hosted by Nick Gannon from TPR and covered the role and approach of TPR in relation to public sector pension schemes, the General Code of Practice and breach reporting.

H. **LGPS Live – 11/12/2025 (Webinar)**
The focus of this session was “Access and protection unpacked and a deeper dive into new Fair Deal proposals”.

I. **LGC Investment Conference – 30/10/2025 and 31/10/2025 (in Person)**
This conference covered a range of sessions including:
- Markets, Geopolitics and Risk;
- Gold, Fear and Geopolitics: Navigating Volatile Markets
- Equity Markets in Focus: Growth, Risk and Strategy;
- Private Markets: Opportunities and Challenges;
- Collaboration and Structural Reform in the Scottish LGPS: Challenges, Models and the Road Ahead;
- Securities Litigation: Lessons from the Front Line;
- Valuation Outlook: Strategy, Surpluses and What’s Next;
- Investing in Scotland: What if you built it, will we come?
- Climate Investment: Net Zero or Real-World Impact;
- Latest issues in Administration;
- Housing as an Asset Class: Ambition versus Reality

J. **Pensions UK Investment Conference – 10/03 to 12/03/2026 (In Person)**
The programme for this conference covered:
- An Audience with the Minister for Investment

- Investing for Value? – what the new value-for money regime means for investment strategy
- Private Market Investments…..At Retirement? – managing sequencing risk and income in later life
- Higher Risk, Smarter Growth – shaping long-term retirement outcomes
- DB Trusteeship: The Consultation – implications for governance and surplus management
- Think Global: Investment Strategies in Turbulent Times – CIO perspectives on geopolitical and market risk

K. PLSA – 28/04/2025 (Webinar)

This session covered "Using DB Surplus"

L. PLSA – 05/06/2025 (Webinar)

This session covered "Mega May"

M. Pensions UK – 23/01/2026 (Webinar)

This session covered "LGPS Update – A Year of Change Ahead"

<u>Costs of Operation 2025/26</u>

The costs and expenses of the Pension Board are met as part of the administration costs of the Fund. The Pension Board carries out its role in a cost effective manner, mindful of delivering value for money.

The costs and expenses of the Pension Board are principally travel related expenses to attend meetings and training events

<u>Summary of Costs</u>

Train	£ 388.15
Hotels	£ 660.00
Total	**£ 1,048.15**

Training offered to the Pension Board is a variety of in-person, hybrid or fully online. Costs have increased in recent years as travel resumed following the Pandemic years, but 2025/26 travel costs are lower than those reported in 2024/25 due to the up-take of more virtual/hybrid sessions by Board members over in person events.

1.3 COMPLIANCE REVIEW

A compliance review is carried out by the Pension Fund on a six monthly basis, with annual reporting to the Pensions Committee.

The review, once again, found that the key internal controls for monitoring the ongoing compliance with legislation and tPR requirements are in place and working effectively with the latest compliance ("business as usual") review taking place in December 2025. A further review using tPR's Scheme Assessment Tool confirmed there are no areas for concern.

As mentioned earlier in this report, a full compliance review was undertaken in 2024/25 in relation to the Pension Regulator's General Code of Practice. The review was carried out by the Governance Team but involved liaison with each of the six Pensions Teams. This in-depth review was resource intensive but necessary to allow the Governance Team to fully get to grips with the new Code, to understand all the requirements and expectations on the Pension Fund. The first step was to navigate through the entire document to identify which areas of the Code were regulatory requirement and which were simply "best practice" for a Local Government Pension Scheme. The next step was carrying out a gap analysis and this is where liaison across each of the Pensions Teams was vital. As part of this process, we identified a number of areas we could make further improvements on to strengthen our ongoing compliance. A summary is provided below:

Issue	Recommendation/Action	Update 2025/26
Some members of the Pension Board have not completed the mandatory training. There is a risk they do not have the necessary levels of knowledge and understanding.	Continue to encourage completion of Hymans LOLA and the Pensions Regulator's Toolkit. Training Policy to be reviewed. Undertake a skills gap analysis.	Regular reminders for outstanding training. Training Policy review due June 2026 – recommendation for mandatory training to be refreshed every 2 years. Development of training plan.
There are three outstanding long term vacancies on the Pensions Committee. This has been highlighted as a risk by Audit.	Continue to encourage the Council to fill these vacancies.	Positions still vacant.
Over-reliance on Aberdeen City Council as the administering authority. There is a risk this impacts detrimentally on the Pension Fund.	NESPF to work with ACC to ensure it has reasonable sight of and reassurance over systems and processes in place. Issues with resources impact on NESPF performance to be addressed through the Operating Model Review.	Work is ongoing as part of the Hymans short term recommendations. An update was provided to Dec'25 Committee meeting.

Requirement to revise or create new written procedures	Relevant Team to create/update procedures and advise Governance Team once complete. As an example, Appointment and Management of Service Advisers Policy created and approved by Committee.	Ongoing discussions with Teams around GCOP requirements. Governance Team to record and monitor Pensions wide procedures.
Cyber Security – understanding and planning	Senior Pensions Officer-Governance completed an external Cyber Management training course. Training was given to Committee and Board Nov'24. Tabletop exercise undertaken in Jan'25. Cyber Security Policy and Cyber Incident Response Plan to be updated. Ongoing training for staff to be implemented. NCSC online training promoted to all staff in Feb'25.	Cyber Security Policy and CIRP review early 2026. Officers organised and hosted a "Cyber Security" discussion with other Scottish LGPS's in Dec'25. Planned to hold these regularly going forward. Regular meetings between ACC IT, Cyber Security Officer and Systems Manager.
Requirement for Own Risk Assessment/ESOG/Remuneration Policy	These are "good practice" but may require further guidance e.g. in terms of LGPS. To be monitored.	Ongoing monitoring.

Some of these recommendations have already been completed and for others we continue to work with the relevant individuals to implement these. These actions will be monitored through our normal six monthly compliance reviews.

Elected Member and Board Knowledge and Understanding

As per tPR's General Code, Pension Board members must have knowledge and understanding of the law relating to pensions, and any other matters which are prescribed in regulations. The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the Pension Board.

Training is monitored through the Training Register, in particular focusing on our two mandatory training requirements (Hymans LOLA and the tPR Toolkit). Officers will continue to work on providing sufficient opportunities for Board members to enable them to meet their ongoing knowledge and understanding requirements.

1.4 GOING FORWARD

Additional Areas of Focus for the Governance Team:

Although our controls have been found to be effective, a number of improvements have already been identified through the regular governance review and day to day business as usual:

- Continuing to develop and utilise Insights Reporting to improve our analysis and reporting capabilities, facilitating improved monitoring of casework across the Fund and supporting regulatory compliance. From 2025, monthly Continuous Improvement meetings have been held, bringing together all senior members of the Pensions Team to understand our regulatory requirements and ensure we are using these as a base to drive improvements. Enhanced Key Performance Indicators (KPI) reporting will be introduced from April 2026, ahead of any formal requirement in Scotland. These changes will ensure that going forward KPI reporting is consistent and comparable across all LGPS Funds.
- Continue working with the Systems Manager to review and develop the Fund's Cyber Security controls including provision of further training for Staff/Committee and Board. As mentioned, NESPF hosted the first SLGPS wide cyber security discussion in December 2025. The plan will be to continue with these through 2026, making them regular discussions to strengthen preparedness and facilitate knowledge sharing. Initial discussions have taken place with ACC IT to develop our relationship with ACC Cyber Security Officers and these will continue in 2026.
- A wider review of our Training Policy, with recommendation that mandatory training is refreshed every 2 years. Online training, although flexible, isn't always the most effective way of learning for individuals, therefore further review of alternative training options will be ongoing. Further consultation is needed with Board members during 2026 to identify current areas of weakness and identify best methods of learning and support going forward. Development of a Training Plan will be undertaken.

Governance Structure

There remain three long term vacancies on the Committee. This has been highlighted in previous audit reports with a recommendation that ACC work to fill these vacancies to ensure the Pensions Committee can provide effective scrutiny.

ABERDEEN CITY COUNCIL

COMMITTEE	Pensions Committee
DATE	20 March 2026
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Statement of Accounts 2025/26 – Action Plan
REPORT NUMBER	PC/MAR26/ACCOUNTS
EXECUTIVE DIRECTOR	ANDY MACDONALD
CHIEF OFFICER	JONATHAN BELFORD
REPORT AUTHOR	LAURA COLLISS
TERMS OF REFERENCE	3.1

1. PURPOSE OF REPORT

1.1 The purpose of this report is to provide Elected Members with 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.

2. RECOMMENDATION

That the Committee: -

2.1 Note the main report for assurance.

3. CURRENT SITUATION

3.1 See attached main report.

4. FINANCIAL IMPLICATIONS

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

5. LEGAL IMPLICATIONS

5.1 In terms of The Local Authority Accounts (Scotland) Regulations 2014, there is a statutory requirement for the Council to produce both a draft and audited Statement of Accounts within certain timescales and to a high standard. This is a major task which requires co-operation and input from a large number of people across all services of the Council. It is only with the commitment of all staff that these high standards and deadlines can be met.

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	No significant risks identified.	N/A	N/A	N/A
Compliance	Failure to meet statutory requirement to produce draft and audited Statement of Accounts within certain timescales and to high standard.	Process and procedures in place to ensure teams work together to produce within timescales.	M	Yes
Operational	No significant risks identified.	N/A	N/A	N/A
Financial	Possible financial penalties for failure to meet regulatory requirements.	Compliance monitoring and regular reporting to Pensions Committee.	M	Yes
Reputational	Failure to meet regulatory requirements may result in adverse publicity.	Processes and procedures in place based on the timetable set out in the attached report.	M	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 3rd March 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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North East Scotland Pension Fund

nespf

Statement of Accounts 2025/26

Annual Report to March 2026

1. Background

The Statement of Accounts 2025/26 will summarise the Pension Fund's transactions for the period 1 April to 31 March and its financial position at the year end 31 March 2026. It will be prepared in accordance with the International Financial Reporting Standards (IFRS) based Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and the Service Reporting Code of Practice (SeRCOP). There are no material changes to either of the codes in 2025/26 which will have any significant impact on the Statement of Accounts.

There are a number of key dates and these are summarised as follows:

31 March 2026	End of Financial Year 2025/26
17 June 2026	Deadline for giving notice to the public of the right to inspect and object to Accounts
19 June 2026	Pensions Committee
30 June 2026	Statutory deadline for submission of Draft Statement of Accounts to the Controller of Audit
July 2026	Advertising and Inspection of Accounts
31 July 2026	Deadline for submission of the Whole of Government Accounts (WGA) to the Scottish Government
11 September 2026	Pensions Committee
30 September 2026	Deadline for submission of Audited Statement of Accounts to the Controller of Audit
31 October 2026	Deadline for submission of the Audited WGA to the Scottish Government
11 December 2026	Pensions Committee

19 June 2026

The Pensions Committee will receive the Draft Statement of Accounts 2025/26, including the Annual Report for overall scrutiny.

July 2026

This is the period within which the Council must give public notice of the rights of interested parties to inspect and object to its accounts. There are statutory requirements currently under The Local Authority Accounts (Scotland) Regulations

2014 which define the notice period, the inspection period, deadline for submission of any objections and the information which must be made available for inspection.

` **September 2026**

The Pensions Committee will receive Audit Scotland's combined ISA260 and "Report to those charged with the governance of the 2025/26 audit" for debate and consideration, together with the Audited Statement of Accounts 2025/26 for signing.

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ABERDEEN CITY COUNCIL

COMMITTEE	Pensions Committee
DATE	20 March 2026
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Strategy
REPORT NUMBER	PC/MAR26/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 (February 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 3rd March 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 (February 2026)
Appendix II, PAS Q3 Report
Appendix III, KPI Policy
Appendix IV, Contributions Policy

12. REPORT AUTHOR CONTACT DETAILS

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Strategy Report

Quarterly Reporting March 2026

1. Background

1.1 Quarterly Report to March 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.

2. Investment

2.1 Asset & Investment Manager Performance Report Investment Strategy Update Report

Separate reports, 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.

3. Accounting

3.1 Statement of Accounts 2025/26

Separate report, attached

4. Benefit Administration

4.1 Pensions Increase/Inflation

The Government confirmed that Local Government Pension Scheme (LGPS) pensions and Career Average Revalued Earnings (CARE) pots will increase by 3.8% from April 2026 (based on the Consumer Price Index (CPI) to September 2025.

4.2 Regulatory Update

As an update to the consultation by the Scottish Public Pensions Agency (SPPA) in relation to amendments to The Local Government Pension Scheme (Scotland) Regulations. The main purpose of the proposed amendments was to align the Scottish LGPS with some of the proposed changes in the Ministry for Housing, Communities and Local Government (MHCLG) "Access and Fairness" consultation, that the Scottish LGPS had not previously addressed. The consultation also included proposed amendments to update the 2018 regulations to reflect changes to primary legislation on Neonatal Leave, deliver an approach to the gender pensions gap, and to remove age restrictions on death grant payments.

On considering the responses to the consultation, SPPA have identified several technical changes that will need further legal consideration to ensure the regulations meet the policy intent. SPPA are also mindful that MHCLG have not yet full concluded the "Access and Fairness" consultation or finalised regulatory changes.

In order for the proposed policies to work effectively, new/updated technical guidance will be needed for administrators. These proposed changes will require substantial input from the software suppliers to design and test upgrades and new functionality at a time where both they, and administrators are under considerable pressure to deliver on McCloud rectification and Pension Dashboards.

With all this in mind, SPPA intends to pause the proposed changes to the LGPS (Scotland) Regulations. They will continue to consult on further changes after the Scottish Parliamentary election concludes in May 2026. A review will also be carried out on The Local Government (Discretionary Payments and Injury Benefits)(Scotland) Regulations 1998, last reviewed in 2011.

4.3 Pensions Webinars

The NESPF Communications Team have recently undertaken a series of member webinars covering a variety of topics including Retirement, Increasing Your Pension and My Pension +. The initial webinars have proved to be extremely popular, having been advertised online and across social media. Over the course of three days and six sessions, NESPF staff saw:

- 561 members attend
- 72 questions asked on a range of topics such as retirement, AVCs and My Pension+
- 26% attending more than 1 day of webinars
- 50% increase in fortnightly My Pension+ sign ups

The webinars were recorded and are now available on the NESPF website for members to access.

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

- **Cyber Security Policy** *(minor amendments to correct grammar/increase clarity. Updated names of 3rd parties and added new paragraph around ongoing work with ACC to demonstrate commitment to mitigating overreliance risks)*

- **Governance Policy** *(updated Terms of Reference for the Pension Board)*
- **KPI Policy *NEW*** *(Internal document, sets out KPI reporting arrangements)*
- **ERT Contributions Policy *NEW*** *(details NESPF policy on how the contributions are received and reconciled and what steps the Fund will take in the event of an over or under payment)*

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.

Appendix III, KPI Policy
Appendix IV, Contributions Policy

6.3 Staff Training Update

Individual staff training and development continued during 2025/26.

All staff once again completed the mandatory annual information Governance refresher training. A number of other mandatory Aberdeen City Council online learning courses also require regular refresher training and these were completed during the year.

The Fund currently has 3 Trainee Pension Officers (TPO's) – Benefit Administration navigating through the internally developed modular training programme under the guidance of the Training & Development Team. The Fund has also adopted the Modern Apprenticeship programme, with the aim of "growing its own" and will be looking to recruit 2 Modern Apprentices within the Benefits Administration Team in 2026.

6.4 Annual Governance Review

Review of NESPF compliance with the Public Service Pensions Act 2013 and the Pensions Regulators General Code of Practice.

Separate report, provided.

6.5 Fraud, Whistleblowing and Breaches of the Bribery Act

There have been no cases during the year.

A revised Whistleblowing policy, procedure and guidance was approved at Aberdeen City Council's Staff Governance Committee on 25 August 2025.

Following this, all NESPF staff were asked to familiarise themselves with the revised Whistleblowing Policy. Compliance was monitored by the Governance Team and recorded on the Staff Training Register.

7. Employer Relationship

7.1 Valuation Update

The next triennial valuation will be carried out by the scheme actuary as at 31 March 2026 which will determine the whole fund funding level and individual employer contribution rate requirements for the three years from April 2027 to March 2031. As we have contracted with a new scheme actuary since the last valuation in 2023 there will be slight differences to the methodology used and the results timelines. Discussions are already underway with Hymans around the valuation requirements to ensure that we are well placed for this large scale exercise and to ensure that we can complete this well in advance of the March 2027 deadline.

7.2 Procurement of AVC Advisory Services

Separate report, provided

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.

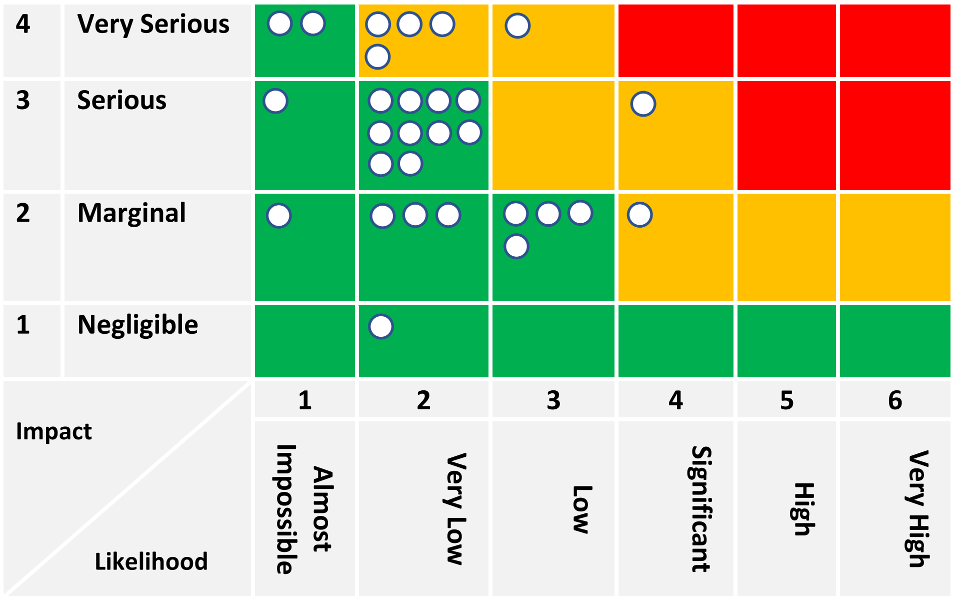
The Pensions Committee is responsible for receiving assurance on the effectiveness of NESPF risk management arrangements as per their Terms of Refence.

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: March 2026

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, with wider work ongoing to	**M Suttie, Apr'26**

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
	performance could go unaddressed	reported to Committee quarterly in AIMP report						standardise KPI's nationally.	
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.	**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	• All staff have individual development plans, reviewed regularly through CR&D	3	2	6	↔	**TREAT**	Update provided to Dec'25 committee meeting on ongoing structure review, reviewing existing and	**Ongoing**

Last Update: March 2026

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
	opportunities, resource drain from wider priorities **Potential Impact:** Loss of service delivery, risk to succession planning	• Training register to monitor • 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"						anticipated future requirements, with 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	• Internal controls including policies and procedures • Pensions Administration Strategy in place • Communication between Pensions	4	3	12	↓	**TREAT**	Update was provided at Dec'25 meeting around short term recommendations from Hymans Operating Model Review. Risk reduced slightly	**Ongoing**

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
	Potential Impact: Ability to meet regulatory and tPR requirements, staff downtime, loss of service delivery/delays and staff time, cyber and IT risk, legal and reputational risk	Manager and ACC Chief Officers						since last review to reflect ongoing work.	
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		3	1	3	↔	**TREAT**		**Ongoing**

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Last Update: March 2026

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
	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							
NESPF011	**Risk:** Conflicts of Interest **Causes:** Competing professional and personal interests of staff, Committee and Board members **Potential Impact:** Audit criticism, legal challenge, reputational risk	• Standing agenda item at meetings • Regular discussions between CO-Finance and Pension Fund Manager • Conflicts policy & register in place, with conflicts declarations issued annually	2	3	6	↔	**TREAT**	Annual COI review underway.	**Ongoing**
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	3	2	6	↔	**TREAT**	Internal Audit Pension Fund Payroll and participation in NFI exercise completed 2025.	**Ongoing**

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Last Update: March 2026

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
		• Breaches Policy & register • Internal Audit control reviews							
Investments									
NESPF013	**Risk:** Insufficient assets to meet the Funds long term liabilities **Causes:** Failure of investment strategy or fund managers to produce expected returns **Potential Impact:** Increase in employer contribution rates, investment risk, audit criticism, financial loss	• Quarterly assessment of investment performance and funding updates • Tri-ennial valuation and investment strategy review • Diversification of assets • Due diligence of fund managers • External advisor for specialist guidance on strategy	4	1	4	↔	**TREAT**	Planning underway for 2026 valuation with the Scheme Actuary.	**Ongoing**
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**

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North East Scotland Pension Fund

Last Update: March 2026

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
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 • SAS 70 reports	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 • Receipt of SAS 70 reports and monitoring	4	2	8	↔	**TOLERATE**		**Ongoing**
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	3	2	6	↔	**TREAT**	Latest TCFD report included in March report to Committee and to be published on website in April 2026.	**Ongoing**

Last Update: March 2026

Code	Risk Description	Mitigating Controls	Current Risk: Impact	Current Risk: Likelihood	Current Risk: Score	Current Risk: Movement	Approach	Additional Actions/Latest Notes	Owner & Timescale
		including Climate Scenario Analysis							
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 **Potential Impact:** Qualified accounts	• Comprehensive policies and procedures in place and review of *the Code* • Attending CIPFA meeting and reviews • Regular reconciliations e.g. fund managers, custodian • Internal/External Audits	3	2	6	↔	**TREAT**	Draft Annual Accounts will be presented to June 2026 meeting, work commenced.	**Ongoing**
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	4	2	8	↔	**TREAT**	Information governance refresher to be completed for 2026. Annual document review underway including Cyber Security policy/Incident Response Plan. Liaising with ACC Cyber Security Officer to provide	**Ongoing**

Last Update: March 2026

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
		encryption, firewalls, annual 3rd party penetration testing etc						information and training.	
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. Heywood Cyber Security Testing for 2026 completed and no major issues identified.	**Ongoing**
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 to be completed in 2026, further competition through National LGPS Framework underway.	**C Mullen, June 2026.**
Employer Relationship									
NESPF023	**Risk:** Failure to monitor employer covenant		2	2	4	↔	**TREAT**		**Ongoing**

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North East Scotland Pension Fund

Last Update: March 2026

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
	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							
ESPF024	**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 on Fund factors reviewed by scheme actuary in 2023.	**Ongoing**
NESPF025	**Risk:** Employers leaving Scheme or closing to new members **Causes:** Public service cuts to funding, increased pension contribution costs	• Management through Covenant Assessment and Monitoring Policy (within FSS)	2	4	8	↔	**TREAT**	Strong whole Fund financial position means employer exits with funding deficits are less likely, therefore	**Ongoing**

Last Update: March 2026

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
	Potential Impact: Orphaned liabilities could fall to remaining employers	• Cost Cap mechanism introduced in LGPS regulations • Termination Policy reassessed in line with the 2023 Fund Valuation						less risk to remaining employers.	
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 • Employer Briefings	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 received on time in 2025, risk reduced.	**Ongoing**
NESPF028	**Risk:** Failure to maintain member records; data incomplete or inaccurate		3	2	6	↔	**TREAT**	Legacy Team successfully cleared backlogs to ensure	**Ongoing**

Last Update: March 2026

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
	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						records are as up to date as possible in readiness for Pensions Dashboard connection by 2026 and valuation.	
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. Risk reduced on review.	**Ongoing**

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Pension Administration Strategy

Quarterly Reporting to 31 December 2025

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

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	Average days over target	Previous Quarter percentage	Percentage movement
Death In Service notification within 5 working days	26	26	100.0%	0	0	100.0%	0.0%
Death of Deferred/Pensioner notification within 5 working days	254	251	98.8%	3	27	98.1%	0.7%
Deferred Benefit Care Only within 2 months	1,060	997	94.1%	63	90	93.1%	1.0%
Deferred Benefit Final Salary within 2 months	459	421	91.7%	38	121	88.9%	2.8%
Deferred Benefit notification within 10 working days	1,351	1,335	98.8%	16	57	98.6%	0.2%
Refund within 10 working days	314	297	94.6%	17	3	92.1%	2.5%
Retirement Benefit within 10 working days	1,295	912	70.4%	383	7	66.1%	4.3%
Retirement Estimate within 10 working days	338	336	99.4%	2	27	99.0%	0.4%
Transfer In quotation within 10 working days	114	91	79.8%	23	50	81.8%	-2.0%
Transfer Out quotation within 10 working days	144	140	97.2%	4	85	96.6%	0.6%
Totals	**5355**	**4806**	**89.7%**			**88.2%**	**1.5%**

Percentage Analysis

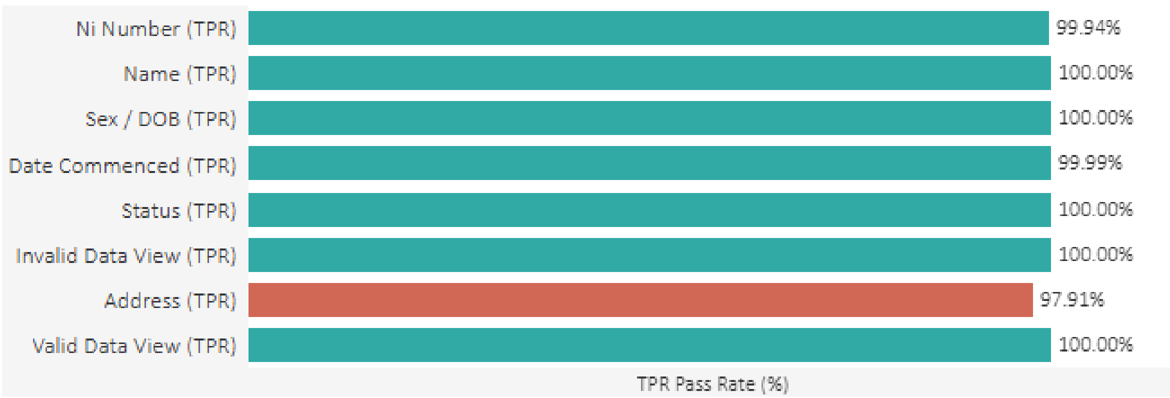
- *Overall percentage achieved within target at 89.7% is up 1.5% on previous quarter, with an increase in overall number of cases completed this quarter.*

1.2 Data quality

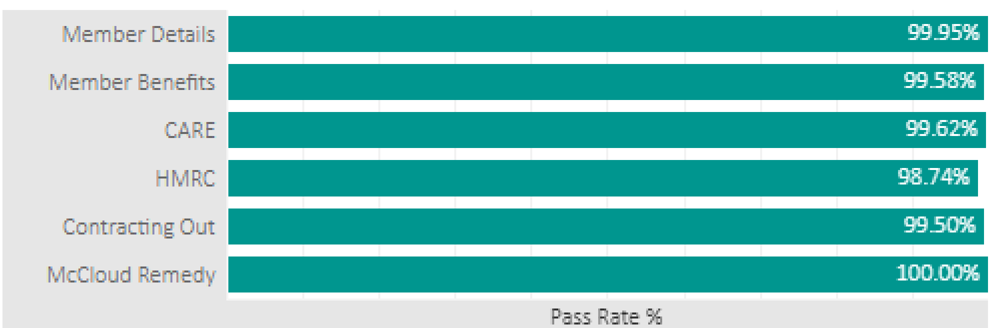
The Pension Regulator (TPR) requires Common and Scheme Specific data to be measured and reported annually in October.

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

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



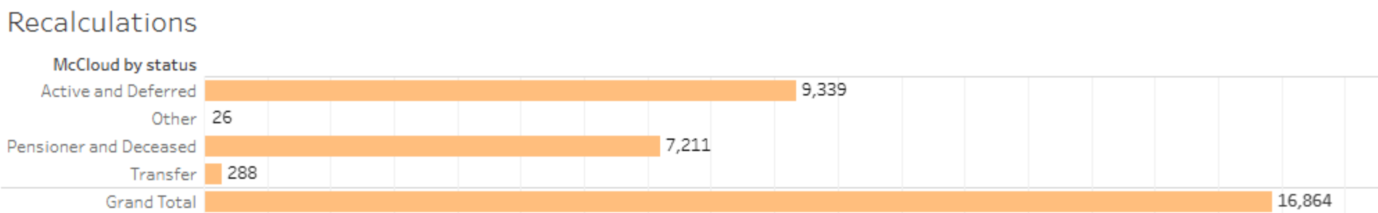
Scheme Specific Data Score = 98.9% (TPR target 100%)

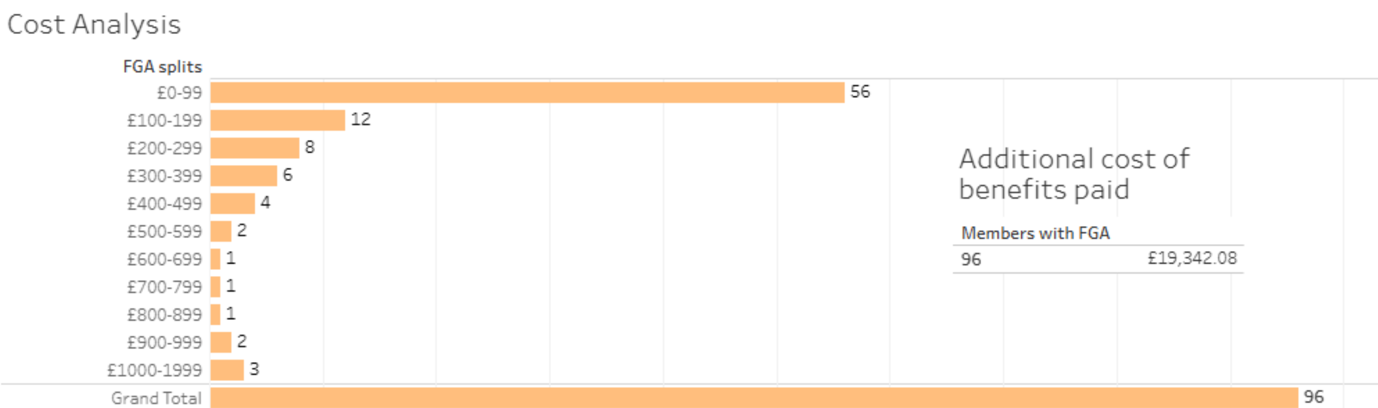


1.3 McCloud remedy

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

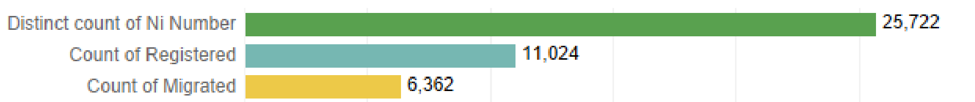
Registered members	68.8%
Migrated members	81.5%

Deferreds

Percentages

Registered members	65.0%
Migrated members	71.5%

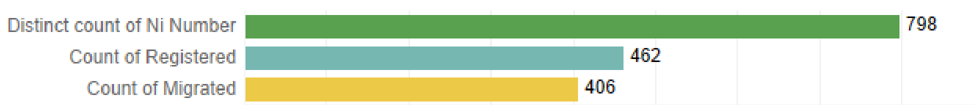
Pensioners & Dependants



Percentages

Registered members	42.9%
Migrated members	57.7%

Undecided Leavers



Percentages

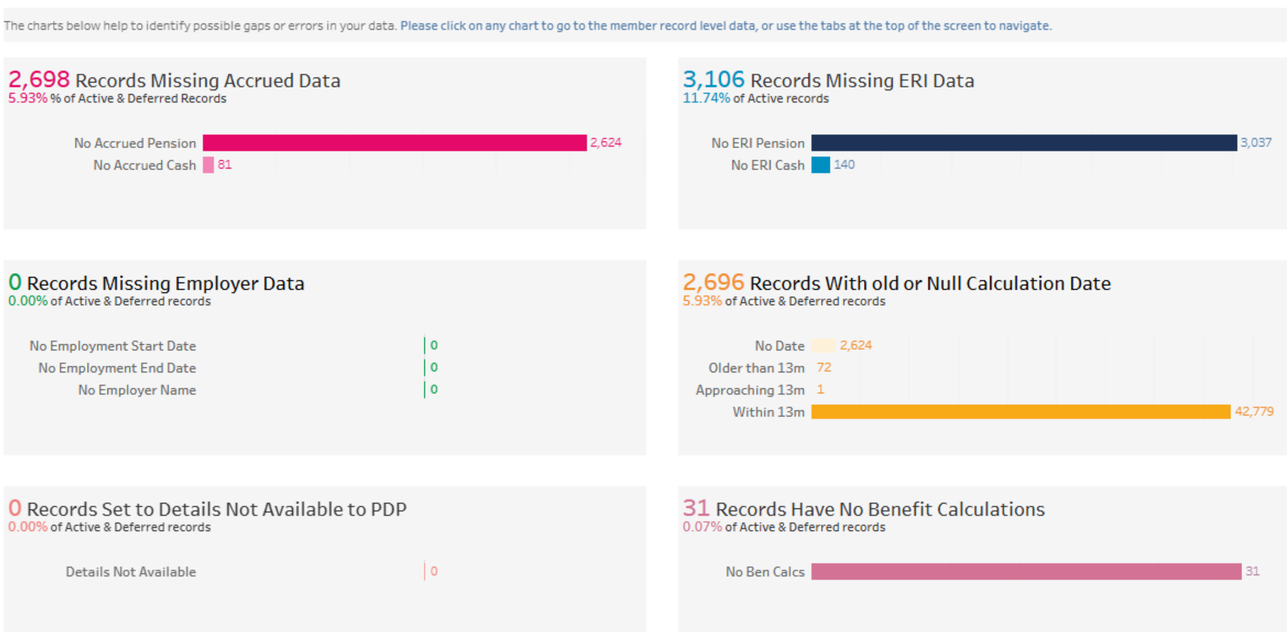
Registered members	57.9%
Migrated members	87.9%

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
45,476	26,452	19,024



North East Scotland Pension Fund

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Key Performance Indicator Policy

February 2026

Contents

Document	**INSERT POLICY NAME**
Draft/Review Date	February 2026
Approval Date	
Author & Team	Kyrsten Webster, Governance
Review Date	February 2027

Purpose Statement

This policy has been prepared on behalf of Aberdeen City Council, as the administering authority for the North East Scotland Pension Fund (‘the Fund’), to set out the arrangements for Key Performance Indicator (KPI) reporting.

KPI’s declared in the Pension Administration Strategy (PAS) measure performance for processing key administration tasks which is reported quarterly to Pensions Committee/Board and published in the Annual Report and Accounts.

KPI’s are measured by identifying how long it takes to process certain tasks within cases created in Altair workflow. Performance is recorded for each reporting measure and the benchmark, determined by the Fund, is to maintain a minimum overall percentage of 90%.

KPI’s were introduced in 2013/14 using Altair standard workflow reporting, this involved running reports for each reporting measure and making manual adjustments for cases that should have been completed during the reporting period. Below are the measurements and targets used during this period;

- Death in Service notification within 5 working days
- Deferred Benefit notification within 10 working days
- Refund within 10 working days
- Retirement Benefit within 10 working days
- Retirement Estimate within 10 working days
- Transfer In quotation within 10 working days
- Transfer Out quotation within 10 working days

From 2024/25 Altair standard workflow reporting was replaced with Insights internal dashboard which displays performance in real time and removed requirement for manual adjustments to improve accuracy. Below are the measurements and targets used during this period;

- Death of Deferred/Pensioner notification within 5 working days
- Deferred Benefit Care Only within 60 days
- Deferred Benefit Final Salary within 60 days

Previous Performance

Previous year's performance is displayed in the table below:

Year	Number of reporting measures	KPI reporting data source	Overall percentage target	Overall percentage achieved	Performance over/under 90% target
2013/14	7	Altair workflow reporting	90%	93.8%	3.8%
2014/15	7	Altair workflow reporting	90%	92.0%	2.0%
2015/16	7	Altair workflow reporting	90%	94.6%	4.6%
2016/17	7	Altair workflow reporting	90%	87.7%	-2.3%
2017/18	7	Altair workflow reporting	90%	95.1%	5.1%
2018/19	7	Altair workflow reporting	90%	95.9%	5.9%
2019/20	7	Altair workflow reporting	90%	93.5%	3.5%
2020/21	7	Altair workflow reporting	90%	76.2%	-13.8%
2021/22	7	Altair workflow reporting	90%	87.6%	-2.4%
2022/23	7	Altair workflow reporting	90%	91.3%	1.3%
2023/24	7	Altair workflow reporting	90%	90.5%	0.5%
2024/25	10	Insights internal dashboard	90%	91.7%	1.7%
2025/26	10	Insights internal dashboard	90%	TBC	

On only 3 occasions was the 90% benchmark not delivered:

- In 2016/17 an issue was discovered with prioritising deferred and refund cases that was addressed by moving responsibility for processing to other teams.
- In 2020/21 and 2021/22 the global pandemic and home working had a significant impact on performance.

Application and Scope

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 has been 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.

The purpose of this guidance as stated in the text is "to assist local government pension funds with the preparation and publication of the pension fund annual report, as required by regulation 57 of the Local Government Pension Scheme Regulations 2013 (in respect of England and Wales) and regulation 55 of the Local Government Pension Scheme (Scotland) Regulations 2018. It also aims to ensure that reporting across the scheme is consistent and provides comparable data for all funds.

Appendix A within the guidance contained KPI’s which included measurements shown in table below:

Key Performance Indicator	Target (days)
B13: Communication issued following actual divorce proceedings i.e application of a Pension Sharing Order	15
B15: Member estimates requested by scheme member and employer	15
B14: Communication issued to new starters	40
B1: Communication issued with acknowledgement of death of active, deferred, pensioner and dependent member	5
B2: Communication issued confirming the amount of dependents pension	10
B3: Communication issued to deferred member with pension and lump sum options (quotation)	15
B5: Communication issued to deferred member with confirmation of pension and lump sum options (actual)	15
B4: Communication issued to active member with pension and lump sum options (quotation)	15
B6: Communication issued to active member with confirmation of pension and lump sum options (actual)	15
B7: Payment of lump sum (both actives and deferreds)	15
B8: Communication issued with deferred benefit options	30
B9: Communication issued to scheme member with completion of transfer in	15
B10: Communication issued to scheme member with completion of transfer out	15
B11: Payment of refund	10
B12: Divorce quotation	45

The expectation is that these KPI’s will follow through in Scotland, it is worth noting that one Scottish fund reported on them in its 2024/25 annual report.

Standardised KPI’s will allow performance comparison and that is why the Fund will be adopting them from 1 April 2026 and publishing this policy that states clearly the level of performance expected by maintaining the 90% benchmark that has been achieved historically.

This will be reported on in order to create further transparency and to ensure that the Fund is correctly prioritising workload. It is also conducive to ensure that the Fund is functioning efficiently in order to provide a satisfactory service to members and adhering to performance guidelines.

Role of Systems and Governance

The Systems team will be responsible for maintaining the Insights external dashboard KPI configuration within Altair and ensuring performance displayed is accurate.

Expectation is that Systems staff will:

1. Maintain testing of dashboard output to ensure accuracy.

2. Raise any issues that require workflow redesign.

The Governance team will be responsible for providing performance monitoring and ensuring any areas of concern are addressed. An area of concern will be any KPI reporting measure that is contributing to an overall percentage below benchmark.

Reporting will be provided monthly and expectation is that Governance staff will:

1. Meet with teams monthly to discuss any reporting measures that need to be prioritised over an agreed set period of time.
2. Request additional Insights reporting from Systems team to help with any areas of concern using alerts and subscriptions.
3. If improvements are not evident, increase reporting monitoring from monthly to weekly.
4. Advise senior management that additional resource from other teams needs to be considered if points 1-3 have not addressed areas of concern.

North East Scotland Pension Fund

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Contributions Policy for Employers

February 2026

Contents

Document	**Contributions Policy for Employers**
Draft/Review Date	February 2026
Approval Date	
Author & Team	Lyndsay Haughs, Employer Relationship
Review Date	February 2027

Purpose Statement

The following statement covers the contributions policy of the North East Scotland Pension Fund (NESPF) as administered by Aberdeen City Council.

This statement is an overview of how the Fund deals with contribution payments made by its employers.

Under section 249B of the Pensions Act 2004, scheme managers of public service pension schemes are required to establish and operate internal controls, which are adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules, and with the requirements of the law. In terms of compliance, this policy sets out how contributions are received and reconciled and what steps the Fund will take in the event of an over or under payment.

Application and Scope

All contributions deducted from members through their payroll should be paid to the Fund by the 19th day of the following month as required by the LGPS (Scotland) Regs 2018 and the NESPF through this policy.

Employee contributions rates are set by the Scottish Government and are adjusted annually in line with pensions increase. The contribution rate tables are sent by the Fund to employers each year as soon as they are made available. Employers are required to access the rates for each employee based on their pay as at 1st April before informing employees of their new rate before the first deduction in April each year.

Employer contributions are decided through the triennial valuation and set per employer through discussions with the actuary and the Fund. These rates are laid out in the rates and adjustment certificate which is signed by the scheme actuary following completion of the valuation. Employer contribution rates are expressed as a percentage of pensionable pay and are fixed for the three year inter-valuation period.

Reconciliation of Contributions

All employers within the North East Scotland Pension Fund, submit monthly data through I-Connect. The amounts of contributions that are uploaded directly onto the Altair system for each member must match the payment that is sent to the Fund by the 19th of the following month.

The I-Connect Dashboard for each employer is used to reconcile the monthly payment with the data. Any discrepancies are reported to the Employer Relationship Team by the Accounting Team to be investigated and raised with the employer.

Arrangements are made with the employer regarding any monies due to the Fund or any overpayment that needs to be refunded to the employer. If an over or underpayment occurs within the current financial year, we ask the employer to rectify this in the next I-Connect submission. This will be monitored and followed up to ensure the adjustment has come through. If an overpayment or underpayment has occurred in a previous financial year, the Accounting Team are responsible for refunding any overpayments and invoicing any underpayments to the employer.

The Employer Relationship Team carry out additional reconciliation for the larger employers who still submit a Remittance Form (PEN 4.0) on a monthly basis. This is to ensure that the PEN 4.0, I-Connect and the payment into the Fund all correctly match. Any discrepancies are discussed with the employer and rectified.

Late Payments

Employers are required to pay contributions deducted from employees to the Fund by the 19th day of the following month. This is a requirement of the regulations and is closely monitored. Employers are reminded of their responsibilities of payment of contributions through the Pensions Administration Strategy (PAS) and in the Employer Bulletin which is sent out every quarter to all participating employers within the Fund.

Any late payments of contributions are notified by the Accounting Team to the Governance Team and the Employer Relationship Team.

Late payments are recorded on the Breaches Register which is held by the Governance Team. They are also reported on the Timeliness Report by the Accounting team. This report monitors the dates that payments are received into the bank from employers for their monthly contributions and will highlight any late payments. It can also highlight if there is a discrepancy with the payment.

It is the responsibility of the Employer Relationship Team to contact the employer and advise that payment is late. This is done in the first instance by email by one of the Pension Officers within the team. If no action is taken by the employer to rectify this late payment this will be escalated to the Senior Pension Officers within the team.

The Governance Team monitors late payments through the Breaches Register. Repeated reports of late payments could be considered as “materially significant” and required to be reported to The Pensions Regulator using the guidance in the Fund’s Breaches Policy.

Records will be maintained of the investigation and communications between the NESPF and the employer into any such incidences and this will help in the decision as to whether to report this to The Pensions Regulator.

Responsibilities

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

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

Supporting Procedures and Documentation

This policy is supported by other key NESPF and ACC procedures and policies, including but not limited to:

- Breaches Procedure for NESPF Staff
- NESPF Breaches Register
- Pension Administration Strategy (PAS)

Further Information

Any questions or feedback on this document should be forwarded to the Employer Relationship Team:

NESPF

Level 1, 2MSq

Marischal Square

Broad Street

Aberdeen

AB10 1LP

Email: employer@nespf.org.uk

Web: www.nespf.org.uk

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of the Local Government (Scotland) Act 1973.

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of the Local Government (Scotland) Act 1973.

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Exempt information as described in paragraph(s) 6, 12 of Schedule 7A
of the Local Government (Scotland) Act 1973.

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