

Public Document Pack



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); Mr A Walker, Chairperson; Councillor Gordon, Vice-Chairperson; Councillor David Cameron and Councillor Smith, Mrs M Lawrence, Mr N Stirling, Mr S Thompson and Mr G Walters (Pension Board).

Town House,
ABERDEEN, 4 September 2025

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, 12 SEPTEMBER 2025 at 10.00 am**. 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 20 June 2025 - for approval (Pages 5 - 10)

COMMITTEE BUSINESS PLANNER

- 6.1. Business Planner (Pages 11 - 14)

NOTICES OF MOTION

- 7.1. There are no motions

REFERRALS FROM COUNCIL, COMMITTEES AND SUB COMMITTEES

- 8.1. There are no referrals

INTERNAL AND EXTERNAL AUDIT

- 9.1. NESPF Annual Audit Report and Covering Letter - report by External Audit
(Pages 15 - 44)

ANNUAL REPORT AND ACCOUNTS

- 10.1. Consideration and Signing of Audited Annual Report and Accounts -
PC/SEPT25/ARA (Pages 45 - 168)

SCRUTINY

- 11.1. Strategy - PC/SEPT25/STRAT (Pages 169 - 246)
- 11.2. McCloud Determination - PC/SEPT25/MCCLOUD (Pages 247 - 256)
- 11.3. Investment Strategy - PC/SEPT25/INVSTRAT (Pages 257 - 262)

EXEMPT BUSINESS - NOT FOR PUBLICATION

- 12.1. Asset and Investment Manager Performance Report - PC/SEPT25/AIMPR
(Pages 263 - 338)

Integrated Impact Assessments related to reports on this agenda can be viewed [here](#)

To access the Service Updates for this Committee please click [here](#)

Website Address: aberdeencity.gov.uk

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, 20 June 2025. Minute of Meeting of the PENSIONS COMMITTEE AND PENSION BOARD. Present:- Councillor Cooke, Convener; Councillor MacGregor, Vice-Convener; and Councillors Davidson, Henrickson and van Sweeden (Pensions Committee); Councillor Smith, Chairperson; Mr G Walters, Vice Chairperson; Councillor Gordon and Mrs M Lawrence, Mr N Stirling, Mr S Thompson and Mr A Walker (Pension Board).

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

The agenda and reports associated with this minute can be located [here](#).

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

DETERMINATION OF EXEMPT BUSINESS

1. The Committee was requested to determine that the following items of business which contained exempt information as described in Schedule 7(A) of the Local Government (Scotland) Act 1973 be taken in private – Items 11.1 (Investment Strategy) and 11.2 (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 exempt information of the classes described in paragraphs 6 and 8.

MINUTE OF PREVIOUS MEETING

2. The Committee had before it the minute of its previous meeting of 21 March 2025 for approval.

The Committee resolved:-

to approve the minute as a correct record.

BUSINESS PLANNER

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

The Committee resolved:-

to note the business planner.

PENSIONS COMMITTEE AND PENSION BOARD
20 June 2025

INTERNAL AUDIT ANNUAL REPORT 2024/25 - IA/25/007

4. The Committee had before it a report by the Chief Internal Auditor which set out Internal Audit's Annual Report for the North East Scotland Pension Fund for 2024/25.

The report recommended:-

that the Committee –

- (a) note the Annual Report for 2024/25;
- (b) note that the Chief Internal Auditor had confirmed the organisational independence of Internal Audit;
- (c) note that there had been no limitation to the scope of Internal Audit work during 2024/25; and
- (d) note the progress that management had made with implementing recommendations agreed in Internal Audit reports.

The Committee resolved:-

to approve the recommendations.

PENSION FUND PAYROLL - IA/25/008

5. The Committee had before it a report by the Chief Internal Auditor which presented the planned Internal Audit report on the Pension Fund Payroll.

The report recommended:-

that the Committee review, discuss and comment on the issues raised within the report and the attached appendix.

Members asked a number of questions of Mr Dale and officers.

The Committee resolved:-

to note the report.

DRAFT NESPF ANNUAL REPORT & ACCOUNTS - PC/JUN25/ARA

6. The Committee had before it a report by the Chief Officer – Finance which presented the unaudited Annual Report and Accounts for the North East Scotland Pension Fund.

The Committee heard from Mr Belford in respect of the report and asked a number of questions.

The report recommended:-

that the Committee review and consider the unaudited Annual Report and Accounts for the North East Scotland Pension Fund.

PENSIONS COMMITTEE AND PENSION BOARD
20 June 2025

The Committee resolved:-

- (i) to note the comment from the Convener that the Mercer end-date should be included at Section 3 – Administration 2024/25 (page 6 of the report) and
- (ii) to approve the recommendation.

NOMINATIONS TO LAPFF EXECUTIVE COMMITTEE - PC/JUN25/LAPFF

7. The Committee had before it a report by the Chief Officer – Finance which sought approval for nomination of an Elected Member or Fund Officer representative to the Local Authority Pension Fund Forum (LAPFF) on behalf of the North East Scotland Pension Fund.

The report recommended:-

that the Committee –

- (a) agree whether to nominate a Member of the Committee or a Fund Officer to the LAPFF Executive; and
- (b) that if a nomination was to be made, consider those nominated and agree a nominee; and
- (c) if the nominee was accepted by LAPFF, approve the detailed travel costs associated with the membership of the Executive.

The Committee resolved:-

- (i) to nominate Laura Colliss to the LAPFF Executive; and
- (ii) to approve the detailed travel costs associated with the membership of the Executive, should the nomination be accepted.

STRATEGY - PC/JUN25/STRAT

8. 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 recent IT issues which had led to a delay in the issuing of payslips to around 26,000 pensioners; and an issue which had arisen whereby the software provider for the BACs payments had advised that the software used for sending the Fund's BACs payments would no longer work following an update at the end of April, without a change being made. The Fund had notified the Council's IT service and made requests to allow the new software to be downloaded and installed, however as of the time of writing the report, the issue had still to be resolved. This had therefore been reflected in the Risk Register at Appendix 1 of the report. An update was also provided on the Public Service Pension Schemes (Rectification of Unlawful Discrimination)(Tax) Regulations 2025 which came into force on 24 April 2025; as well

PENSIONS COMMITTEE AND PENSION BOARD
20 June 2025

as updates on breaches of law, a review of AVC arrangements and the updated Termination Policy.

The report advised that the following documents had also been updated:-

- Fire Safety (Local) Policy (minor amendments for formatting/clarity, and addition of new Teams Channel)
- Communications Policy (new section added covering Social Media, amended frequency of Committee & Board bulletin to quarterly and re-inserted same for Employer bulletin, added other publications from website)
- Corporate Governance & Corporate Social Responsibility Policy (updated reference to latest fiduciary duty guidance, updated Fund value and reference to voting, both passive and active, being carried out in-house)
- Compliance with Myners Principles (expanded CIPFA acronym for clarity, added references to Appointment and Management of Advisers and Service Providers Policy, updated frequency of Employer Bulletin to quarterly, updated documents available on website)
- Record Keeping Policy (minor grammatical amendments, updated PAS version)
- Data Protection Policy (very minor amendments for clarification/grammar)
- Training Policy (very minor amendments for clarification on training requirements and grammar)
- Overpayments Policy (added in paragraph covering ex Strathclyde Firstbus members, minor corrections for clarification)
- Systems Access Policy (updated Altair password section and appendix)
- Statement of Investment Principles (minor updates to direct investment figure, voting paragraph and additional footnote to table)

The report recommended:-

that the Committee –

- (a) approve the updates to the Fund policy documents as set out in 6.2 of the main report;
- (b) approve the updated Termination Policy as set out in 7.2 of the main report; and
- (c) note the remainder of the report for reassurance.

The Committee resolved:-

- (i) in relation to the table on page 198 of the pack (Key Administration Tasks), to note the comments from Members that the layout was confusing and that officers would review the presentation for future reports; and
- (ii) to approve the recommendations.

PENSIONS COMMITTEE AND PENSION BOARD
20 June 2025

TRAINING - PC/JUN25/TRA

9. The Committee had before it a report by the Chief Officer – Finance which provided details of the training plan (2025/26) for the Pensions Committee and Pension Board of the North East Scotland Pension Fund.

The report recommended:-

that the Committee –

- (a) approve the travel of members to attend external training opportunities, as set out in the attached report;
- (b) approve the updated Training Policy (as per Appendix I of the report); and
- (c) note the requirement to have completed the Pensions Regulator online training and the Hymans online training in line with the Training Policy.

The Committee resolved:-

- (i) to note the comments from Members that it would be helpful if there was there was a follow-up provided in the system after any webinars, to allow learning to be checked and that officers would feed this back to the supplier;
- (ii) to note the additional comments from Members around the user interface and frustrations caused with blank screens and courses not being available and to request that this also be fed back to the supplier;
- (iii) to note that if Members had any specific training needs, that they should feed this back to officers; and
- (iv) to approve the recommendations.

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

INVESTMENT STRATEGY - PC/JUNE25/INVSTRAT

10. The Committee had before it a report by the Chief Officer – Finance which provided an update on recent re-balancing changes made.

Members heard from Mr Buntain in respect of the report.

The report recommended:-

that the Committee note the contents of the report for reassurance.

The Committee resolved:-

to note the report.

PENSIONS COMMITTEE AND PENSION BOARD
20 June 2025

**ASSET AND INVESTMENT MANAGER PERFORMANCE REPORT -
PC/JUN25/AIMPR**

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

Members heard from Mr Buntain in respect of the report.

The report recommended:-

that the Committee note the contents of the report for assurance.

The Committee resolved:-

to note the report.

- **COUNCILLOR JOHN COOKE, Convener**

| | A | B | C | D | E | F | G | H | I |
|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|----------------------|----------------------|--------------------|---------------------------|--------------------------------------------------------------------------------|-------------------------------------------------------|
| 1 | PENSIONS COMMITTEE BUSINESS PLANNER The Business Planner details the reports which have been instructed by the Committee as well as reports which the Functions expect to be submitting for the calendar year. | | | | | | | | |
| 2 | Report Title | Minute Reference/Committee Decision or Purpose of Report | Update | Report Author | Chief Officer | Directorate | Terms of Reference | Delayed or Recommended for removal or transfer, enter either D, R, or T | Explanation if delayed, removed or transferred |
| 3 | 12 September 2025 | | | | | | | | |
| 4 | NESPF Annual Report & Accounts | To present the audited annual accounts | | Laura Colliss | Finance | Corporate Services | 3.1 | | |
| 5 | NESPF Annual Audit Report and Covering Letter | To present the External Audit annual audit report | | Anne MacDonald | External Audit | External Audit | 2.1 | | |
| 6 | McCloud Determination | To inform the Committee of the Fund's decision to exercise its flexibility under the Local Government Pension Scheme (Remediable Service)(Scotland) Regulations 2023 to make a determination to extend the implementation phase of the McCloud Remedy to 31st August 2026. | | Claire Mullen | Finance | Corporate Services | 4.1 | | |
| 7 | 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 | | |
| 8 | 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 | | |
| 9 | Investment Strategy | To provide an update | | Graham Buntain | Finance | Corporate Services | 5.2 | | |
| 10 | 12 December 2025 | | | | | | | | |
| 11 | 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 | | |
| 12 | 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 | | |
| 13 | Budget Forecast & Projected Spend | Update on budget and annual spend to date | | Laura Colliss | Finance | Corporate Services | 1.3 | | |
| 14 | 20 March 2026 | | | | | | | | |
| 15 | 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 | | |
| 16 | Strategy | Regular update on any changes to the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund strategies | | Mairi Suttie | Finance | Corporate Services | 1.2, 1.4, 3-5 | | |
| 17 | Asset and Investment Manager Performance Report | To provide a review of the North East Scotland Pension Fund for the latest three month period | | Graham Buntain | Finance | Corporate Services | 5.2 | | |
| 18 | Investment Strategy | To present an update of the strategy | | Laura Colliss | Finance | Corporate Services | 5.2 | | |

[illegible]

| | A | B | C | D | E | F | G | H | I |
|----|-------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|--------|----------------|---------------|--------------------|--------------------|-------------------------------------------------------------------------|------------------------------------------------|
| | 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 |
| 2 | | | | | | | | | |
| 38 | 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 | | |
| 39 | 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 | | |
| 40 | Budget Forecast & Projected Spend | Update on budget and annual spend to date | | Laura Colliss | Finance | Corporate Services | 1.3 | | |

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Aberdeen City Council Pensions Committee

3 September 2025

Town House
Broad Street
Aberdeen
AB10 1AB

North East Scotland Pension Fund Audit of 2024/25 Annual Report and Accounts

Independent auditor's report

1. Our audit work on the 2024/25 Annual Report and Accounts is now substantially complete. Subject to the satisfactory conclusion of the outstanding matters referred to in paragraph 11 of this letter, we anticipate being able to issue unmodified audit opinions in the independent auditor's report on 12 September 2025. The proposed report is attached at [Appendix A](#).

Annual audit report

2. Under International Standards on Auditing in the UK (ISA (UK)), I am required to report specific matters identified from the audit of the annual accounts to those charged with governance of a body in sufficient time to enable appropriate action. For North East Scotland Pension Fund, those charged with governance is the Pensions Committee. We present for the committee's consideration our draft Annual Audit Report on the 2024/25 audit. The section headed 'Significant findings and key audit matters' (Annual Audit Report, page 8) sets out the issues identified in respect of the annual accounts, including those that I am required to report to you.

3. The Annual Audit Report also sets out conclusions on the wider scope areas that frame public audit as set out in the Code of Audit Practice.

4. The Annual Audit Report will be issued in final form after the annual accounts have been certified.

Unadjusted misstatements

5. I also report to those charged with governance all uncorrected misstatements in the annual accounts which I have identified during the course of my audit, other than those of a trivial nature, and request that these misstatements be corrected.

6. There are no uncorrected misstatements to report.

Other ISA (UK) matters

7. In presenting this letter and the Annual Audit Report to the Pensions Committee, I seek confirmation from those charged with governance on the following matters:

- if they are aware of any instances of actual, suspected, or alleged fraud,
- if they are aware of any subsequent events that have occurred since the date of the financial statements,
- if they are content that the methods, assumptions, and data used in making accounting estimates in the annual accounts are appropriate,
- if all related party relationships and transactions they are aware of are reflected in the annual accounts, and
- if they are aware of any non-compliance with laws and regulations.

8. No issues were identified from our audit in relation to other ISA (UK) matters that require to be reported to those charged with governance.

Representations from the Section 95 Officer

9. As part of the completion of the audit, I am seeking written representations from the Chief Officer – Finance, who is the Section 95 Officer, on aspects of the annual accounts, including the judgements and estimates made.

10. A draft letter of representations is attached at [Appendix B](#). This should be signed and returned to me by the Section 95 Officer with the signed annual accounts prior to the Independent Auditor's Report being signed.

Outstanding matters

11. There are some areas where we require additional information to conclude on audit work, and these are identified below:

- Undertaking and concluding final subsequent event transaction testing by 11 September 2025. These are routine checks required to cover the period right up until the date of the independent auditor's report to ensure there are no events which might materially affect the amounts reported in the accounts at 31 March 2025.
- A final review of the fund's Annual Report and Accounts.

Appendix A: Proposed Independent Auditor's Report

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual report of North East Scotland Pension Fund (the fund) for the year ended 31 March 2025 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Fund Account, the Net Assets Statement and notes to the financial statements, including a summary of material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the 2024/25 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the financial transactions of the fund during the year ended 31 March 2025 and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2024/25 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 3 April 2023. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council as administering authority for the fund. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the fund's ability to continue to adopt the going concern basis of accounting

for a period of at least twelve months from when the financial statements are authorised for issue.

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

Risks of material misstatement

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- using my understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, the Local Government in Scotland Act 2003, and The Local Government Pension Scheme (Scotland) Regulations 2018 as amended are significant in the context of the fund;
- inquiring of the Chief Officer - Finance and the Chief Officer – Governance as to other laws or regulations that may be expected to have a fundamental effect on the operations of the fund;

- inquiring of the Chief Officer - Finance and the Chief Officer – Governance concerning the fund's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

Reporting on other requirements

Other information

The Chief Officer - Finance is responsible for the other information in the annual report. The other information comprises the Management Commentary, Annual Governance Statement, Governance Compliance Statement, Statement of Responsibilities and other reports included in the annual report other than the financial statements and my auditor's report thereon.

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

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

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

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

12 September 2025

Appendix B: Letter of Representation (ISA 580) - to be reproduced on client's letterhead

Michael Oliphant
Audit Director
Audit Scotland
4th Floor
102 West Port
Edinburgh

Dear Michael

Aberdeen City Council Annual Accounts 2024/25

- 1.** This representation letter is provided about your audit of the annual report and accounts of North East Scotland Pension Fund (herein referred to as North East Scotland Pension Fund or the fund) for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the management commentary, annual governance statement and the governance compliance statement.
- 2.** I confirm to the best of my knowledge and belief and having made appropriate enquiries of Aberdeen City Council's Corporate Management Team and North East Scotland Pension Fund's Management Team, the following representations given to you in connection with your audit of the fund's annual accounts for the year ended 31 March 2025.

General

- 3.** The fund and I have fulfilled our statutory responsibilities for the preparation of the 2024/25 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by the fund have been recorded in the accounting records and are properly reflected in the financial statements.
- 4.** I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

Financial Reporting Framework

- 5.** The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (2024/25 accounting code), the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.
- 6.** In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of North East Scotland Pension Fund at 31 March 2025 and the transactions for 2024/25.

Accounting Policies & Estimates

7. All material accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2024/25 accounting code where applicable. All accounting policies applied are appropriate to the fund's circumstances and have been consistently applied.

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

Going Concern Basis of Accounting

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

Assets

Investments

10. For the year ended 31 March 2025, the amounts included in the net assets statement reflect investments managed/held both internally and externally by appointed fund managers and the global custodian on behalf of the fund. Amounts have been calculated in accordance with approved bases of valuation and fairly represent the values at 31 March 2025. In making these assertions I am reliant on the opinions of the appointed fund managers. As far as we can reasonably ascertain, all assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

Long Term Assets

11. For the year ended 31 March 2025, the amount included in the net assets statement for the insurance buy-in contract is the valuation provided by the fund's actuary. The pension assumptions made by the actuary in this valuation have been considered and I confirm that they are consistent with management's own view.

Banking and Cash Flow Arrangements

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

Other Current Assets

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

Liabilities

14. All liabilities at 31 March 2025 of which I am aware have been recognised in the financial statements.

15. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2025 of which I am aware where the conditions specified in the 2024/25 accounting code have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2025. Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.

16. Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2025 or to reflect material changes in the assumptions underlying the calculations of the cash flows.

17. The pension assumptions made by the actuary in the IAS 19 report for North East Scotland Pension Fund have been considered and I confirm that they are consistent with management's own view.

18. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

Contingent assets/liabilities

19. There are no significant contingent assets/liabilities, other than those disclosed in Note 25 to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. All known contingent assets/liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the 2024/25 accounting code and IAS 37.

Litigation and Claims

20. All known actual or possible legal claims have been disclosed to you and have been accounted for and disclosed in the financial statements in accordance with the 2024/25 Code.

Fraud

21. I have provided you with all information in relation to:

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

Laws and Regulations

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

Related Party Transactions

23. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2024/25 accounting code. I have made available to you the identity of all the fund's related parties and all the related party relationships and transactions of which I am aware.

Management commentary

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

Corporate Governance

25. I confirm that North East Scotland Pension Fund has undertaken a review of the system of internal control during 2024/25 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

26. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2025, which require to be reflected.

Events Subsequent to the Date of the Balance Sheet

27. All events subsequent to 31 March 2025 for which the 2024/25 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Jonathan Belford
Chief Officer – Finance

North East Scotland Pension Fund

2024/25 Annual Audit Report - draft



Prepared for North East Scotland Pension Fund and the Controller of Audit
September 2025

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Accessibility

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

Key messages

Audit of the annual accounts

- 1 Our audit opinions on the annual report and accounts of North East Scotland Pension Fund were unmodified and confirmed that the accounts were free from material misstatement.
- 2 Audit adjustments required to correct the financial statements have been properly reflected in the audited annual report and accounts.

Wider scope and Best Value audit

- 3 The Fund has broadly effective and appropriate arrangements in place to secure best value and cover the wider scope audit areas i.e. Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
 - 4 Governance could be further strengthened if the administering authority's political groups worked together to fill the long-term vacancies in the membership of the Pensions Committee.
-

Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of North East Scotland Pension Fund's Annual Report and Accounts and the wider scope areas specified in the Code of Audit Practice (2021).

2. The Annual Audit Report is addressed to North East Scotland Pension Fund (the Fund) and the Controller of Audit, and will be published on Audit Scotland's website in due course.

Appointed auditor and independence

3. We have been appointed by the Accounts Commission as auditors of the Fund for the 5-year period from 2022/23 until 2026/27. As reported in the Annual Audit Plan, we are independent of the Fund in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on our continued independence from the Fund.

Acknowledgements

4. We would like to thank the Fund and its staff, particularly those involved in preparation of the Annual Report and Accounts, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the five-year audit appointment.

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 (ISA) (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 accounts, namely the Management Commentary and Annual Governance Statement.
- An opinion on the audited part of the Remuneration Report.
- Conclusions on the Fund'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.

Responsibilities and reporting

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.

Auditor's 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 accounts, and concluding on the Fund's arrangements in place for the wider scope areas and Best Value.

8. The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve the Fund from its responsibilities outlined below.

9. The Annual Audit Report includes an agreed action plan at [Appendix 1](#) setting out specific recommendations to address matters identified and includes details of the responsible officer and dates for implementation.

The Fund's responsibilities

10. 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 annual accounts, comprising financial statements for the Fund that gives a true and fair view and other specified 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 accounts

Main judgements

Our audit opinions on the annual report and accounts of North East Scotland Pension Fund were unmodified and confirmed that the accounts were free from material misstatement.

Audit adjustments required to correct the financial statements have been properly reflected in the audited annual report and accounts.

Audit opinions on the annual accounts

11. The Fund's annual report and accounts are scheduled to be approved by the Pensions Committee on 12 September 2025 and will be signed by the auditor thereafter. As reported in the Independent Auditor's Report, the financial statements give a true and fair view and, in our opinion, are free from material misstatement.

Audit timetable

12. The unaudited annual report and accounts and supporting working papers were received by 1 July 2025 in accordance with the agreed audit timetable.

Audit Fee

13. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £52,250. There have been no developments that impacted on our planned audit work required, therefore the audit fee remains unchanged.

Materiality

14. 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 accounts.

15. Materiality levels for the audit of the Fund were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan. These were reassessed on receipt of the unaudited annual accounts and are set out in [Exhibit 1](#).

Exhibit 1

2024/25 Materiality levels for the Fund

Materiality

Materiality – set at 2% of net assets

£125 million

Materiality

Performance materiality – set at 65% of materiality and acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required. £81 million

Reporting threshold – set at 3% of materiality. £3.75 million

Source: Audit Scotland

Significant findings and key audit matters

16. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged as governance, which for the Fund is the Pensions Committee.

17. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the 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.

18. In determining key audit 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.

19. The significant findings and key audit matters to report are outlined in [Exhibit 2](#).

Exhibit 2

Significant findings and key audit matters

| Significant findings and key audit matters | Outcome |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1. Fair value classification of investments</p> <p>As set out in Note 18 to the accounts, the valuations of investments require to be classified into three levels according to the quality and reliability of information used to determine fair value. Our review of the classifications identified that the following Level 1 investments should be identified as Level 3 investments:</p> <ul style="list-style-type: none"> • Insurance buy-in contract £122.4m • Aviva infrastructure income unit trust £84.7m <p>The insurance buy-in is calculated by the actuary using a range of complex assumptions. Aviva's investments are also more restricted and are not based on observable market data as required for Level 1.</p> | <p>There is no impact on the primary statements. Note 16 Financial and Non-Financial Instruments and Note 18 Valuation of Financial and Non-Financial Instruments carried at Fair Value have been amended to reflect the revised classifications.</p> |

| Significant findings and key audit matters | Outcome |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>2. Investment balances in the primary statements did not agree with the supporting notes to the accounts.</p> <p>There were differences in the investment balances in the Net Assets Statement and the change in market value of investments reported in the Fund Account when compared with the respective supporting notes to the accounts. The main differences, £40.807 million in the Net Assets Statement and £14.780 million on the Fund Account, existed in the accounts provided for audit which had also been open for public inspection.</p> <p>While these amounts are below our materiality level, it would have been inappropriate to conclude financial statements which do not agree with the supporting notes. Until the matter was investigated, we were uncertain whether the differences were totals or net amounts which might have masked more significant misstatements.</p> | <p>During the preparation of the unaudited accounts, different versions of the financial ledger were used to prepare the primary statements and the notes respectively. The finance team had experienced some difficulties when correcting entries related to prior year issues. While these issues were still being resolved, an extract of the ledger was used to prepare the notes to the accounts which was different to that used to produce the primary statements.</p> <p>The matter has been resolved and an adjustment made to reconcile the ledger and the accounts.</p> <p>This increased Investment assets in the Net Assets Statement and the Profit on Disposal of Investments and Changes in Market Value of Investments in the Pension Fund Account by £42.475 million.</p> |

Source: Audit Scotland

Qualitative aspects of accounting practices

20. ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of the Fund's accounting practices, including accounting policies, accounting estimates, and disclosures in the financial statements.

Accounting policies

21. The appropriateness of accounting policies adopted by the Fund was assessed as part of the audit. These were appropriate to the circumstances of the Fund, and there were no significant departures from the accounting policies set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Accounting estimates

22. Accounting estimates are used in number of areas in the Fund's financial statements. Audit work considered the process management of the Fund has in place around making accounting estimates, including the assumptions and data used in making the estimates, and the use of any management experts. Audit work concluded:

- There were no issues with the selection or application of methods, assumptions, and data used to make the accounting estimates, and these were considered to be reasonable.
- There was no evidence of management bias in making the accounting estimates.

23. Details of the audit work performed and the outcome of the work on accounting estimates that gave rise to significant risks of material misstatement are outlined in [Exhibit 4, \(page 11\)](#).

Disclosures in the financial statements

24. The adequacy of disclosures in the financial statements was assessed as part of the audit. Additional narrative was included in the audited management commentary in relation to the Fund's first Task Force on Climate-Related Financial Disclosures (TCFD) report.

25. Overall, the quality of disclosures was satisfactory but the quality control checks around the preparation of the accounts needs improvement. The significant differences between the primary statements and the notes to the accounts should have been rectified before the accounts were submitted for audit and made available for public inspection. ([Also, refer Financial Management, para 33, page14](#))

Audit adjustments

26. Audit adjustments were required to the financial statements to correct misstatements that were identified from the audit. Details of all audit adjustments greater than the reporting threshold of £3.75 million are outlined in [Exhibit 3](#). There are no uncorrected misstatements to report.

Exhibit 3

Audit adjustments to financial statements

| Details | Fund Account | | Net Assets Statement | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-----------------|----------------------|----------|
| | Dr | Cr | Dr | Cr |
| Audit adjustments | £m | £m | £m | £m |
| 1. Adjustment to reconcile the accounts with the financial ledger and correct misstatements arising from the use of different versions of the ledger. (Refer Exhibit 2, Number 2) | | (42.475) | 42.475 | |
| 2. Adjustment to include Q4 actual private equity valuations. (The value in the unaudited accounts is routinely a best estimate, actual valuations are not available until August each year.) | 22.700 | | | (22.700) |
| Net impact – reduction in closing net assets at 31 March 2025 | | (19.775) | 19.775 | |
| Account lines affected - Changes in market value of investments and Investment Assets | | | | |

Source: Audit Scotland

Prior year recommendations

27. The body has made limited progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with the Fund and are outlined in [Appendix 1, page 18](#).

Significant risks of material misstatement identified in the Annual Audit Plan

28. Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 4](#).

Exhibit 4 Significant risks of material misstatement to the financial statements

| Risk of material misstatement | Audit response | Outcome of audit work |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| 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. | <ul style="list-style-type: none"> Assessed the design and implementation of controls over journal entry processing and tested a sample of journals with a focus on higher risk areas. Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. Evaluated significant transactions outside the normal course of business. Reviewed the arrangements for identifying related parties and associated transactions. Assessed any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year. | <ul style="list-style-type: none"> Based on audit work undertaken, there was no evidence of management override of controls. |

| Risk of material misstatement | Audit response | Outcome of audit work |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|
| <p>Valuation of unquoted investments</p> <p>The Fund holds approx. £6 billion of investments of which £1 billion is held in unquoted private equity/debt and infrastructure assets.</p> <p>These investments are classified as Level 3 financial instruments where at least one input that could have a significant effect on the valuation is not based on observable market data.</p> <p>These investments are independently valued by the appointed fund manager using various valuation techniques that require significant judgement in determining appropriate assumptions.</p> | <ul style="list-style-type: none"> • Unquoted investment values reported in the accounts were compared with capital statements provided by fund managers to ensure there was no material misstatement. • Changes in the value of investments throughout the year were agreed with Custodian records. • For material investments, the competence, capabilities, and objectivity of the fund managers as management experts were evaluated and their work was assessed as being appropriate audit evidence. • The controls in place between the Fund and the custodian were considered appropriate to provide assurance on the operation of the custodian as a service organisation. | <p>Based on the audit work undertaken, the valuation of unquoted investments is not materially misstated.</p> |
| <p>Valuation of the promised retirement benefits</p> <p>The Fund's promised retirement benefits under IAS 26 are £4.2 billion at 31 March 2025. There is a significant degree of subjectivity in the estimation of the pension liability as the it is based on the actuary's methodology and specialist assumptions.</p> <p>During the year, the Fund appointed a new actuary and arranged for the transfer of Fund data between the outgoing and incoming actuaries. Any gaps in the data transfer and/or changes in the assumptions used by the incoming actuary could result in material changes to the estimation.</p> | <ul style="list-style-type: none"> • Review management assurances covering the completeness and accuracy of the data transfer between the outgoing and incoming actuaries. • Evaluate the competence, capabilities, and objectivity of the actuary. • Review the appropriateness of the key data and assumptions used by management for the estimation of the pension liability, and challenge these where required. • Audit Scotland uses PwC as an auditor's expert to inform the planned audit procedures outlined above. The information provided by PwC will be reviewed by the audit team and where required, reflected in planned audit procedures. | <p>Based on the audit work undertaken the estimation of the pension liability is considered to be reasonable.</p> |

Wider scope and Best Value audit

Conclusion

The Fund has broadly effective and appropriate arrangements in place to secure best value and cover the wider scope audit areas i.e. Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.

Governance could be further strengthened if the administering authority's political groups worked together to fill the long-term vacancies in the membership of the Pensions Committee.

Audit approach to wider scope and Best Value

Wider scope

29. As reported in the Annual Audit Plan, the wider scope audit areas are:

- Financial Management.
- Financial Sustainability.
- Vision, Leadership and Governance.
- Use of Resources to Improve Outcomes.

30. Audit work is undertaken across these four areas and a conclusion on the effectiveness and appropriateness of arrangements the Fund has in place for each of these is reported in this section.

Best Value

31. 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 their Best Value lies with the administering authority, Aberdeen City Council. A conclusion on the Fund's arrangements is reported in this chapter.

Significant wider scope risks

32. Audit work has been performed in response to the significant wider scope and Best Value risks identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 5](#).

Exhibit 5**Significant wider scope risks**

| Significant risk | Planned audit response | Outcome of audit work |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Governance</p> <p>At 31 March 2024, there were two long standing vacancies on the committee which continue to exist with no immediate resolution expected as a result of political differences.</p> <p>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.</p> | <p>The audit team will:</p> <ul style="list-style-type: none"> Review the operation of the Pensions Committee, assess the level of scrutiny and challenge undertaken and consider any implications for the governance statements. | <ul style="list-style-type: none"> There have been changes in membership during the year due to changes within political groups but the two long standing vacancies still exist. The committee's business has continued, meetings have been quorate and there has been appropriate scrutiny. With the ongoing vacancies however, the committee is not operating as intended. Steps should be taken to consider other alternatives to strengthen the scrutiny of the committee. (Appendix 1, Follow-up Action Plan, Number 1) |

Source: Audit Scotland

Conclusions on wider scope audit**Financial Management**

33. Since August 2024, the Fund has had interim arrangements in place to cover the vacant Accounting Manager role. While there is continuity in terms of officer involvement, the quality of the accounts provided for audit were of a lower standard than in previous years. The main issue identified, as set out at [Exhibit 2, number 2 and para 25](#), took time to resolve and impacted on the time and resources available to complete the audit. We also noted that the quarterly budget update on management expenses is no longer presented to the Pensions Committee.

34. We understand that steps will shortly be taken to commence recruitment to fill the Accounting Manager role on a permanent basis. More widely the structure of the pension fund team will be reviewed in the year ahead with a view to updating job roles and giving greater focus to succession planning. We welcome these plans and will monitor developments during the 2025/26 audit, especially with regard to the support and training needs for a new Accounting Manager.

35. Other than the above matter, we concluded that the Fund's arrangements for financial management are effective and appropriate. Our judgement is evidenced by our findings on the arrangements the Fund has in place. These include:

- a system of internal control that is operating effectively and has no significant weaknesses or deficiencies.

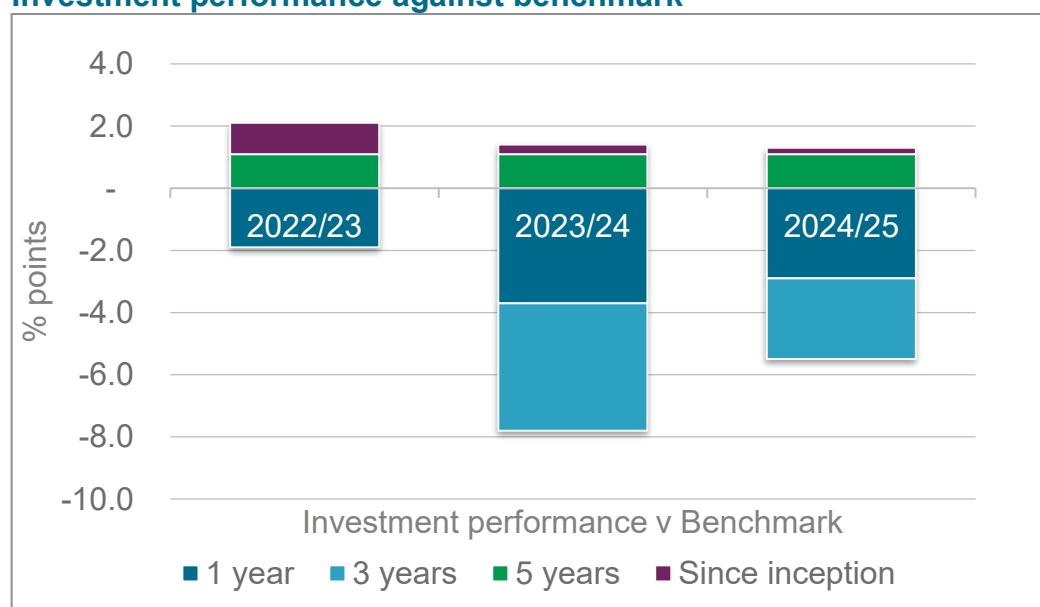
- clear and up-to-date policies and procedures, such as financial regulations and a scheme of delegation.
- counter fraud arrangements and participation in fraud prevention and detection activities such as the National Fraud Initiative.
- effective arrangements for the scrutiny of quarterly investment performance reports by the Pensions Committee.

Financial Sustainability

36. As shown in [Exhibit 6](#), the performance of investments against benchmarks in the short to medium term, i.e., 1 to 3 years has improved since last year while the performance for over 5 years remains the same in the last three years. However, the performance since inception, while still above the benchmark, continues to decline year on year. The Fund monitors its investment structure and rebalances as appropriate to ensure that funds are managed in line with its investment strategy.

Exhibit 6

Investment performance against benchmark



Source: North East Scotland Pension Fund Annual Reports and Accounts for FY 2022-25

37. A pension fund provides its members with a guarantee that in exchange for contributions during their employment, it will pay a pension until the end of each member's life. It is therefore important that the fund has the capacity and funds to meet its current and future pension obligations to its members.

38. The number of pensioners has been steadily increasing in the last five years while employee membership has shown signs of falling numbers in the last three years. This is reflected in [Exhibit 7](#). In 2024/25, the number of pensioners outweighed active members for the first time. There is a difference of 1,355 or 5.05 per cent. Included in these figures is the impact of the five employers who exited from the fund during the year. This included the Scottish Fire and Rescue Service who decided to combine its pensions interests in one local authority fund and resulted in a transfer of its members and pensioners from North East Scotland Pension Fund to Strathclyde Pension Fund.

Exhibit 7**North East Scotland Pension Fund membership**

Source: 2024/25 North East Scotland Pension Fund annual report and accounts

39. Net cash flow from dealings with members continues to be negative with more paid out in benefits than is received from contributions. In 2024/25, the deficit was £129.5m compared to £78.6m in 2023/24 or a 64.8% increase (in 2022/23 the deficit was £34.3m or a 29.2% increase).

40. The growing gap between the level of contributions coming in and the amount of pensions being paid out is in line with decisions taken following the latest triennial valuation. The 2023 valuation reported that the fund is 126% funded and is therefore in surplus. As a result, fund employers generally agreed a reduction in the level of employer contributions they would be required to pay to the fund for the three years to 31 March 2027. In addition, the fund approved a new funding strategy for the three-year period setting out the approach to be undertaken to increase the level of income-generating investments to cover the increasing gap created by falling contributions.

41. Overall, we concluded that the Fund has effective arrangements in place to secure the financial sustainability of the fund. This judgement is supported by our consideration of the Fund's approach to delivering a full actuarial valuation every three years and the decisions made thereafter, as outlined above, to ensure income levels will be sufficient to meet the liabilities of the fund.

Vision, Leadership and Governance

42. Our conclusions on the Fund's arrangements to provide Vision, Leadership and Governance were reached having reflected on the following factors:

- the Fund has a Service Plan in place covering 2023-26 which is supported by key priorities at Teams level that set out its vision, objectives and the actions required to deliver that vision.
- a six-monthly review is undertaken of the fund's compliance with the Public Service Pensions Act 2013 ("PSPA") and the Pensions Regulator's ("tPR") requirements and related assurances are provided to the Pensions Committee on an annual basis.

- an annual review of the activities of the Pension Board is undertaken.
- effective governance arrangements are in place as reflected in the Fund's Annual Governance Statement.

43. The 2024/25 tPR review was positive and highlighted a number of further improvements which could be made. The findings were in line with the outcome from the Fund's internal governance review activities. For example,

- continuing to develop and utilise Insights Reporting to improve the Fund's analysis and reporting capabilities, facilitating improved monitoring of casework and supporting regulatory compliance.
- continue to review and develop the Fund's Cyber Security controls including further development of its Cyber Incident Response Plan and related training for staff.
- a wider review of the Fund's training policy and best methods of learning and support in consultation with Board members.

44. While we concluded that the Fund has effective arrangements in place, governance would be strengthened if the membership vacancy issue on the Pensions Committee could be resolved.

Use of Resources to Improve Outcomes

45. The Fund has effective arrangements in place to demonstrate its Use of Resources to Improve Outcomes. Earlier in the report, we've commented on the decisions taken by the Fund in response to the triennial valuation. In addition, our judgment has been influenced by:

- the Fund's arrangements to monitor and benchmark its investment performance and hold external fund managers to account.
- regular monitoring and reporting of key pension administration tasks and data quality information against targets.
- Internal audit reviews are generally positive with no major findings.

Appendix 1

Action plan 2024/25

No new actions have been raised in respect of the 2024/25 audit. There are some ongoing issues which are covered by prior year recommendations.

Follow-up of prior year recommendations

| Matter giving rise to recommendation | Recommendation, agreed action, officer and timing | Update |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Membership of Pensions Committee As a result of political differences, there are two long standing vacancies on the committee with no immediate resolution expected. As trustees, members have fiduciary duties with responsibilities to all fund employers and members and should therefore be operating a politically neutral scrutiny committee. | Aberdeen City Council, as administering authority, should fill the vacancies on the Pensions Committee and members need to work together for the benefit of the fund. Chief Officer Finance and Pension Manager to raise the issues with the relevant parties. December 2024 | No change in outcome to report. Chief Officer Finance and Pension Manager to consider other alternatives in consultation with relevant parties. Chief Officer – Finance and Pension Manager December 2025 |
| 2. Elected member mandatory training With vacancies on the committee and the need for more engagement in training events, there is a risk the committee is not undertaking appropriate scrutiny of the pension fund's activities. | The programme of mandatory training should be refreshed and sanctions agreed and implemented where agreed training is not undertaken within reasonable timescales. Pension Manager to review mandatory training and agree and remind members of possible sanctions. December 2024 | Ongoing Members are regularly reminded of their training requirements. There has been improvement in the year but there are still instances of non-compliance. Pension Manager to explore alternative training options. December 2025 |

| Matter giving rise to recommendation | Recommendation, agreed action, officer and timing | Update |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>3. Monitoring progress against priorities</p> <p>The service business plan does not set out an agreed mechanism for monitoring and reporting progress against key priorities either at fund or service level.</p> <p>There is a risk the fund is not appropriately delivering its priorities.</p> | <p>There is scope to formally track progress against priorities at both fund and service level.</p> <p>Pension Manager to progress Operating Model Review and update service business plan to include a process to formally track performance.</p> <p>2024/2025</p> | <p>Work in progress</p> <p>The Operating Model Review is subject to review. The intention is to streamline existing plans and develop a single action plan.</p> <p>Pension Manager</p> <p>December 2025</p> |
| <p>4. Future annual reports</p> <p>The fund will report on its approach to climate risk in its first Task Force on Climate-related Financial Disclosures (TCFD) report due for publication in 2024/25.</p> <p>This provides an opportunity for a more focused consideration of the fund's approach to climate change and related future plans.</p> <p>There is a risk that the Annual Report and Accounts is not transparent about the fund's current activities in this area.</p> | <p>There is scope to review and improve the content of future annual reports where appropriate e.g. approach to climate change.</p> <p>Pension Manager to review content/style of the annual report to ensure capturing changing approaches across the industry.</p> <p>March 2025</p> | <p>Implemented</p> <p>The Fund published its first TCFD report in 2024/25 and included a reference in the Management Commentary within the Annual Report and Accounts.</p> |

North East Scotland Pension Fund

2024/25 Annual Audit Report - draft – Draft



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www.audit.scot

ABERDEEN CITY COUNCIL

| | |
|---------------------------|------------------------------------------------------|
| COMMITTEE | Pensions Committee |
| DATE | 12 September 2025 |
| EXEMPT | No |
| CONFIDENTIAL | No |
| REPORT TITLE | Consideration and Signing of Audited Annual Accounts |
| REPORT NUMBER | PC/SEPT25/ARA |
| EXECUTIVE DIRECTOR | Andy MacDonald |
| CHIEF OFFICER | Jonathan Belford |
| REPORT AUTHOR | Laura Colliss |
| TERMS OF REFERENCE | 3.1 |

1. PURPOSE OF REPORT

- 1.1 To provide the Audited Annual Report and Accounts for the North East Scotland Pension Fund (NESPF) for consideration and signing.

2. RECOMMENDATIONS

That the Committee:-

- 2.1 Consider and approve the Audited Annual Report and Accounts for the North East Scotland Pension Fund; and
- 2.2 Instruct the Chief Officer – Finance, as the Local Government (Scotland) Act 1973 – Section 95 Officer, to sign the accounts on behalf of the Fund.

3. CURRENT SITUATION

- 3.1 Further to The Local Authority Accounts (Scotland) Regulations 2014 the audited Annual Report and Accounts for the North East Scotland Pension Fund are presented to Committee for their consideration and approval.

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

4. FINANCIAL IMPLICATIONS

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

5. LEGAL IMPLICATIONS

- 5.1 The Local Authority Accounts (Scotland) Regulations 2014 says that local authorities should aim to approve the audited Annual Accounts for signature no later than 30 November 2025 in respect of the accounts for the financial year 2024/25.

- 5.2 Section 95 of The Local Government (Scotland) Act 1973 requires the Council to make arrangements for the proper administration of their financial affairs and to secure that the proper officer of the administering authority has responsibility for the administration of those affairs. For the North East Scotland Pension Fund, that officer is the Chief Officer – Finance of Aberdeen City Council.

6. ENVIRONMENTAL IMPLICATIONS

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

7. RISK

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

| Category | Risks | Primary Controls/Control Actions to achieve Target Risk Level | *Target Risk Level (L, M or H) *taking into account controls/control actions | *Does Target Risk Level Match Appetite Set? |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|---------------------------------------------|
| Strategic Risk | No significant risks identified. | N/A | N/A | Yes |
| Compliance | There is a risk that a delay or failure to approve the Annual Report and Accounts could impact on the administering authority to fulfil its regulatory requirements. | Consideration and approval of the Annual Report and Accounts at the scheduled Committee meeting. | 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 |

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 3 rd June 2025. |
| Data Protection Impact Assessment | Not required |
| Other | N/A |

10. BACKGROUND PAPERS

10.1 None

11. APPENDICES

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

12. REPORT AUTHOR CONTACT DETAILS

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

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North East Scotland Pension Fund

Audited Annual Report & Accounts

For the period 1 April 2024 to 31 March 2025

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Management Commentary

1. Foreword

As Convener of the Pensions Committee for the North East Scotland Pension Fund (NESPF), I am pleased to introduce the 2024/25 Annual Report and Accounts.

2024/25 has been another incredibly busy year for the Fund. While diligently undertaking its key function of administering pensions to its 78,991 members, the Fund has achieved several notable milestones during this year.

Despite high inflation and interest rate hikes prompting an unsettled global marketplace during much of 2024/25, the Fund's Net Asset Value increased to £6.345bn with positive investment returns delivering 2.9%. It is notable that the NESPF continues to outperform the benchmark returns over longer periods and similarly comparators such as Consumer Prices Index and Average Earnings over the longer term. This is testament to the successful planning and decision making that goes on to ensure that the Fund's Investment Strategy delivers the required returns.

As well as focusing on investment returns, NESPF takes its role as a responsible investor very seriously, as demonstrated by its commitment to Environmental, Social and Governance (ESG) initiatives. This year saw the Fund finalise its Taskforce on Climate-related Financial Disclosure (TCFD) report which illustrates metrics and targets across the Fund's investments and the portfolio as a whole.

Highlighting its unwavering commitment to ESG matters, the Fund secured a \$434m (£336m) settlement against US sportswear firm, Under Armour, following a lengthy legal battle. This was a positive outcome for the NESPF and its members.

The Fund is dedicated to making the member journey straightforward and simple. Another area which has undergone major development this year has been the Fund's secure member portal, My Pension+. While the new portal was introduced in 2023, development has been ongoing, as content from the previous site was imported to the new iteration, requiring regular testing and updating. Primary developments this year include the Annual Benefit Statement area being expanded to show personalised videos and statements for more of the member cohort. The Fund will continue to utilise the technology available through My Pension+ to improve its service delivery to members.

In terms of meeting regulatory requirements, the Pensions Regulator's General Code came into force in March 2024. This resulted in a huge administrative undertaking to review the Fund's operations to ensure compliance with the revised code.

In light of all of the work completed this year, I am pleased to say the Fund was awarded

the Pensions Administration Award at the Pensions Age Awards 2025 as well as being shortlisted for several other industry awards. The national awards celebrate excellence in the field and are important markers of success. With several new members of staff joining the NESPF this year, further growth and development within the team lies ahead as staff share knowledge and skillsets.

Looking ahead to 2025/26, as well as continuing to deliver core pension services, main priorities for the Fund will be achieving feature parity for the My Pension+ portal, revising administration procedures and developing the pensions dashboard.

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

Councillor John Cooke
Pensions Committee Convener

2. About the North East Scotland Pension Fund

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

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

NESPF has an asset value of £6.3 billion and 78,991 members. It is the third largest LGPS Fund in Scotland.

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

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

3. Administration 2024/25

| | |
|--------------------------------|--------------------------------------------------------------|
| Administering Authority | Aberdeen City Council |
| Committees | Pensions Committee, Pension Board |
| Chief Officer – Finance | Jonathan Belford |
| Actuary | Mercer until 31/01/2025, Hymans Robertson from 01/02/2025 |
| Global Custodian | HSBC |
| Performance Measurement | HSBC |
| Banks | Virgin Money* & HSBC |
| AVC Providers | Prudential, Standard Life Assurance |
| Bulk Annuity Provider | Rothsay Life Plc |
| External Auditor | Audit Scotland |
| Internal Auditor | Aberdeenshire Council |
| Investment Consultant | Isio |
| Legal Adviser | Aberdeen City Council |
| Employers | For full details see Appendix 2 |

*Clydesdale Bank trading as Virgin Money

4. Pensions Committee & Pension Board

Pensions Committee

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

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

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

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

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

Membership 2024/25

| Name | Member as at 31 March 2024 | Joined | Left | Member as at 31 March 2025 |
|-------------------------|----------------------------|------------|------------|----------------------------|
| Cllr John Cooke | Yes | | | Yes |
| Cllr Neil MacGregor | Yes | | | Yes |
| Cllr Dell Henrickson | Yes | | | Yes |
| Cllr Alison Alphonse | Yes | | 12/03/2025 | No |
| Cllr Derek Davidson | Yes | | | Yes |
| Cllr Duncan Massey | Yes | | | Yes |
| Cllr Kairin van Sweeden | Yes | | | Yes |
| Cllr Barney Crockett | No | 06/03/2025 | | Yes |
| Total | 7 | 1 | 1 | 7 |

Notes:

- On 6th March 2025 Councillor van Sweeden rejoined the Scottish National Party. As the agreed political composition of the Pensions Committee includes an Independent place, this was filled by Councillor Crockett.
- On 12 March 2025, Councillor Alphonse stepped aside to allow Councillor van Sweeden to fill one of the Partnership's places on the Pensions Committee.

Meeting Attendance in 2024/25

| Name | 21/06/24 | 13/09/24 | 13/12/24 | 21/03/25 | Overall Attendance |
|-------------------------|----------|----------|----------|----------|--------------------|
| Cllr John Cooke | ✓ | ✓ | ✓ | ✓ | 100% |
| Cllr Neil MacGregor | ✓ | ✓ | ✓ | ✓ | 100% |
| Cllr Dell Henrickson | ✓ | ✓ | ✓ | ✓ | 100% |
| Cllr Alison Alphonse | ✓ | ✓ | ✓ | N/A | 100% |
| Cllr Derek Davidson | ✓ | ✓ | ✓ | ✓ | 100% |
| Cllr Duncan Massey | ✓ | ✓ | ✓ | ✓ | 100% |
| Cllr Kairin van Sweeden | ✓ | ✓ | ✓ | ✓ | 100% |
| Cllr Barney Crockett | N/A | N/A | N/A | X | 0% |

Pension Board

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

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

Membership 2024/25

| Membership | Name | Member as at 31 March 2024 | Joined | Left | Member as at 31 March 2025 |
|-----------------------------|-----------------------------|----------------------------|------------|------------|----------------------------|
| Aberdeenshire Council | Cllr Stephen Smith (Chair) | Yes | | | Yes |
| UCATT | Gordon Walters (Vice Chair) | Yes | | | Yes |
| Unison | Morag Lawrence | Yes | | | Yes |
| Aberdeen City Council | Cllr Jessica Mennie | Yes | | | Yes |
| Unite | Alan Walker | Yes | | | Yes |
| GMB | Neil Stirling | Yes | | | Yes |
| The Moray Council | Cllr David Gordon | Yes | | | Yes |
| Robert Gordon University | Jeremy Lindley | Yes | | 03/10/2024 | No |
| North East Scotland College | Stuart Thompson | No | 04/11/2024 | | Yes |
| Total | | 8 | 1 | 1 | 8 |

Meeting Attendance in 2024/25

| Name | 21/06/24 | 13/09/24 | 13/12/24 | 21/03/25 | Overall Attendance |
|---------------------|----------|----------|----------|----------|--------------------|
| Cllr Stephen Smith | ✓ | ✓ | ✓ | ✓ | 100% |
| Gordon Walters | ✓ | X | ✓ | ✓ | 75% |
| Morag Lawrence | ✓ | ✓ | ✓ | ✓ | 100% |
| Cllr Jessica Mennie | ✓ | X | ✓ | ✓ | 75% |
| Alan Walker | ✓ | ✓ | ✓ | ✓ | 100% |
| Neil Stirling | X | ✓ | ✓ | ✓ | 75% |
| Cllr David Gordon | ✓ | ✓ | ✓ | ✓ | 100% |
| Jeremy Lindley | X | X | N/A | N/A | 0% |
| Stuart Thompson | N/A | N/A | ✓ | ✓ | 100% |

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

In assisting with compliance, the Board can report the Fund to The Pensions Regulator for non-compliance with guidance or regulations. In 2024/25 no issues were reported by the Board to The Pensions Regulator.

The Pensions Regulator's General Code of Practice came into force on 28 March 2024. This code details TPR's expectations of what is required to maintain an effective system of governance. The Fund has taken appropriate steps to ensure compliance with the new code.

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

Conflicts of Interest

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

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

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

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

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

A full list of each member's interests can be found on the Aberdeen City Council website:

<https://committees.aberdeencity.gov.uk/mgListDeclarationsOfInterest.aspx?RPID=506>.

Committee and Board Training 2024/25

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

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

Committee and Board members should complete the Hymans (and tPR) training in line with the agreed upon Fund Training Policy. Committee and Board members agreed, following recommendation, to work through and complete the Hymans LGPS Online Learning Academy (LOLA), and on an ongoing basis thereafter as new versions were delivered.

| Pensions Committee - Mandatory Training Record as at 31 March 2025 | | | |
|--------------------------------------------------------------------|-----------------------------------------|-------------|-----------|
| Name | Hymans Robertson LOLA Version 2.0 | TPR Toolkit | Completed |
| Cllr John Cooke | ✓ | ✓ | 2/2 |
| Cllr Neil MacGregor | ✓ | ✓ | 2/2 |
| Cllr Dell Henrickson | ✓ | ✓ | 2/2 |
| Cllr Alison Alphonse* | | | 0/2 |
| Cllr Derek Davidson | | | 0/2 |
| Cllr Duncan Massey | ✓ | ✓ | 2/2 |
| Cllr Kairin van Sweeden | ✓ | ✓ | 2/2 |
| Cllr Barney Crockett* | | | 0/2 |

| Pension Board – Mandatory Training Record as at 31 March 2025 | | | |
|---------------------------------------------------------------|-----------------------------------------|-------------|-----------|
| Name | Hymans Robertson LOLA Version 2.0 | TPR Toolkit | Completed |
| Cllr Stephen Smith | ✓ | ✓ | 2/2 |
| Gordon Walters | ✓ | | 1/2 |
| Morag Lawrence | ✓ | ✓ | 2/2 |
| Cllr Jessica Mennie | ✓ | | 1/2 |
| Alan Walker | ✓ | ✓ | 2/2 |
| Neil Stirling | ✓ | ✓ | 2/2 |
| Cllr David Gordon | ✓ | | 1/2 |
| Jeremy Lindley* | | | 0/2 |
| Stuart Thompson* | ✓ | | 1/2 |

Notes for Committee and Board tables above:

* Leavers/joiners during the year

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

- Introductory training delivered by Laura Colliss, Pensions Manager, for all new Committee and Board members;
- A variety of webinars covering topics from industry experts such as:
 - Government Policy for the LGPS;
 - Pension Scams;
- In Person Training Sessions including;
 - Carbon Scoring;
 - Cyber Security, Pensions Dashboards, Data Quality, Member engagement and the Pensions Regulator's General Code.

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

5. Administration and Performance

Digital Development & Engagement

Online platforms serve a vital purpose, as we strive to deliver a modern, digital service to our members which is more efficient and effective. Our primary tool for delivering this is My Pension+, our online member's portal which was upgraded in June 2023.

The site remains a hybrid system, with functionality not yet in My Pension+ available via links to the old portal. However, by the end of 2025, all functionality should be accessible via My Pension+. During 2024/25, the Fund continued to work with Heywood Pension Technologies on the development of outstanding functionality, with feature parity the key driver. As a result, there was a substantial amount of development completed, including:

- Introduction of SMS multi-factor authentication;
- Electronic ID verification which allows members to verify their identity when registering, removing the need for Fund intervention and reducing registration lead time;
- New Annual Benefit Statement area for deferred members including personalised video;
- Document upload for members;
- Super User, an administrative support tool that allows staff to manage member access, assist with member issues, view records as a user and configure site content;
- Newly built payroll area with access to payslips and P60s.

In addition, work commenced in Q1 2025 on a number of other features that are currently in the test phase including a fully digital end-to-end online process for retirements and refunds; an improved transfer estimate and requests feature; and improved configuration options within Super User to customise the portal. Registration and migration statistics as at 31 March 2025 are displayed below:

| | Registered for My Pension+ | % Members Registered | Migrated to My Pension+ | % Members Migrated |
|-------------------------|-----------------------------------|-----------------------------|--------------------------------|---------------------------|
| Active | 16,140 | 66.8% | 12,023 | 74.5% |
| Deferred | 11,166 | 63.4% | 7,123 | 63.8% |
| Pensioners & Dependants | 10,048 | 40.0% | 5,074 | 50.5% |
| Undecided Leavers | 1,761 | 63.1% | 1,230 | 69.8% |

- Migrated members are defined as members that were previously signed up for the old My Pension service, and are now registered for My Pension+. Registered members are defined as members that are signed up for My Pension+, and this includes migrated members. The %s of members registered are calculated as a % of the number of records for each status. The %s of members migrated are calculated as a % of the members who were previously registered for the old My Pension Service for each status.

*Some members are counted within multiple categories (e.g. members with a deferred and an active record)

Annual Benefit Statements

Annual Benefit Statements (ABS) in 2024 were delivered online as per previous years, with both active and deferred statements accessible on My Pension+ via a regulatory compliant ABS webpage. Included within this is a personalised video, explaining pension values and highlighting key benefits of the Scheme.

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

The overall percentage achieved for providing benefit statements to more than 45,000 active and deferred members prior to the 31 August deadline was 99.92% compared with 99.78% for 2023/24.

Pension Administration Strategy (PAS)

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

The underlying objectives are:

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

Processing Performance

| Key performance measurement | Target | Work Volume | Target Achieved | 2024/25 | 2023/24 |
|---------------------------------------------------------|---------|--------------|-----------------|------------|------------|
| Death in service notification to dependent | 5 days | 36 | 34 | 94% | 87% |
| Death of deferred/pensioner notification to dependent * | 5 days | 369 | 319 | 86% | |
| Deferred benefit Care Only statutory processing * | 60 days | 951 | 942 | 99% | |
| Deferred benefit Final Salary statutory processing * | 60 days | 515 | 488 | 95% | |
| Deferred benefit notification | 10 days | 1,416 | 1,389 | 98% | 95% |
| Refund of contributions notification | 10 days | 581 | 559 | 96% | 98% |
| Retirement benefit notification | 10 days | 1,625 | 1,315 | 81% | 92% |
| Retirement estimate notification | 10 days | 480 | 480 | 100% | 96% |
| Transfer in quotation | 10 days | 58 | 49 | 85% | 69% |
| Transfer out quotation | 10 days | 324 | 255 | 79% | 56% |
| Total | | 6,355 | 5,830 | 92% | 91% |

*New Key Performance Measurements for 2024/25

This year saw similar performance to 2023/24 with the overall percentage achieved above 90% for the third consecutive year.

Percentages are now reported through dashboards created in Insights data analysis software. This removes the requirement to run quarterly reports as performance is available in real time. Three new reporting measures were introduced; a 5-day target for deferred and pensioner deaths, and 60-day statutory targets for deferred processing.

The volume of retirement estimate requests remains low compared to previous years as members continue to self-serve in My Pension+. Transfer processing continues to be challenging with manual calculations still required for those impacted by McCloud however significant percentage increases were delivered in 2024/25.

McCloud Remedy

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

More than 16,000 historic calculations have been completed, all that remains are the manual calculations for around 1,000 members with the majority being transfers. Currently the total cost identified for 68 pensioner and deceased members is £11,990, work continues to rectify the underpayments.

Final calculations will be required in the future for active and deferred members to reassess their provisionally calculated benefits when they take their retirement benefits. Currently the total future cost identified assuming members retire at Normal Pension Age is £23,339, with this potentially being paid out over the next 35 years.

Employer Data Provision

Throughout the year, good quality, timely data for all active members was provided by the participating employers through the secure online portal, i-Connect. The data uploaded directly, on a monthly basis, updates the pension administration system with starters, leavers, contributions and pay information and ensures that each member's personal details are kept up to date. More than 1 million data events were uploaded to the pension administration system in 2024/25.

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

The benefits include:

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

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

Data Quality

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

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

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

The annual Scheme return scores are as follows:

| | 2023 | 2024 | Target |
|----------------------|-------------|-------------|---------------|
| Common Data | 98.7% | 98.7% | 100% |
| Scheme Specific Data | 99.2% | 98.9% | 100% |

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

Pension Dashboards

The Pensions Dashboards Programme (PDP) will enable individuals to access all their pensions information online, securely and in one place. All Schemes will be compelled by legislation to connect to the Government's pension dashboard ecosystem and provide member data when requests are received.

The Fund procured an Integrated Service Provider (ISP) solution and is working with the supplier, Heywood Pension Technologies, to prepare for connecting to the ecosystem in 2 stages.

Stage 1 commenced in January 2025 and was completed within 10 weeks. The work focused on establishing secure data transfer from the pension administration system into the ISP test environment. This initial stage allowed the Fund to configure the ISP console, set up reporting and test matching rule combinations to determine what is best for matching members to their pension benefits held by the Fund.

Stage 2 is scheduled for Summer 2025. On completion the Fund will be ready to comply with the public service connection date of 31 October 2025.

The national dashboards will be made available to the general public at the 'dashboard

available point (DAP).’ All Funds will be given 6 months advance notice of the DAP.

Complaints

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

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

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

The table below is an analysis of those complaints received during 2024/25. There were 21 complaints made during the year. 13 complaints were within the Fund's scope to remedy. All complaints were resolved at the informal stage.




| Complaint Analysis | Number of Complaints |
|-------------------------------|----------------------|
| Waiting Time – Correspondence | 2 |
| Processing Delay | 6 |
| Staff Knowledge | 4 |
| Processing Error | 1 |
| No NESPF Power to Remedy | 8 |
| Total Complaints | 21 |







Complaints may not always relate to a NESPF decision or process, for example it may relate to an employer decision, e.g. ill health retirement. In these instances, the complainant may take their complaint directly to the Pensions Ombudsman. In this period, we have one complaint relating to Prudential that was forwarded on by the member to NESPF.

Not included in the above is one prior year complaint, which has since been resolved and closed.

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

6. Financial Performance

| 2024/25 at a Glance | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|
| <div>£25m</div> <div></div> <div>Management Expenses</div> | <div>£231m</div> <div></div> <div>Investment Return</div> |
| <div>£6,345m</div> <div></div> <div>Net Assets of the Fund at the End of the Year</div> | |

| Key Statistics | |
|--------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>36</p>  <p>Total Number of Employers</p> | <p>78,991*</p>  <p>Total Membership</p> |
| <p>1,164</p>  <p>Votes at AGMS</p> | <p>52%*</p>  <p>Members Registered for My Pension+</p> |
| <p>46.5</p>  <p>Staff Employed (FTE)</p> | <p>1,720</p>  <p>Members to Staff Ratio</p> |

*Total membership is based on membership records as a member can have more than one record. Equivalent number in terms of member headcount is 67,374. This figure is used for the percentage of Members registered for My Pension+.

North East Scotland Pension Fund Financial Summary

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

| | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 |
|------------------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Contributions Less Benefits and Expenses paid Net Additions/ (Withdrawals) | (51,481) | (33,048) | (34,257) | (78,570) | (129,501) |
| Net Investment Income Change in Market Value Net Return on Investment | 1,462,128 | 181,752 | (342,832) | 532,616 | 231,435 |
| Transfer In of ACCTF at Market Value | 0 | 0 | 290,035 | 0 | 0 |
| Revaluation of Insurance Buy In Contract | 0 | 0 | (35,062) | (20,924) | 5,699 |
| Net Increase/ (Decrease) in Fund | 1,410,647 | 148,704 | (122,116) | 433,122 | 107,633 |
| Fund Balance as at 31 March (Market Value) | 5,777,189 | 5,925,893 | 5,803,777 | 6,236,899 | 6,344,532 |

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

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

Budget

| | Note | Actual Spend 2024/25 £'000 | Budget or Forecast 2024/25 £'000 | Over or (Under) Spend 2024/25 £'000 |
|-----------------------------------|------|----------------------------------|----------------------------------------|-------------------------------------------|
| Administration Expenses | 1 | 3,207 | 3,408 | (201) |
| Oversight and Governance Expenses | 2 | 722 | 913 | (191) |
| Investment Management Expenses | 3 | 20,926 | 23,366 | (2,440) |
| Management Expenses Total | | 24,855 | 27,687 | (2,832) |

Where the variance is +/- 5%, an explanation is given below:

1. Under spend – Pay award less than anticipated and staff vacancies.
2. Under spend – Reduction in Actuarial Fees due to change in contract.
3. Under spend – The markets have decreased in value especially during Q4 meaning that generally the assets held have reduced in value, therefore Investment Management Fees & Expenses based on Net Asset Values (NAV) have also decreased.

Membership Statistics

| NESPF | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|----------------|---------------|---------------|---------------|---------------|---------------|
| Active | 26,315 | 26,961 | 27,751 | 27,708 | 26,828 |
| Pensioners | 22,692 | 23,854 | 26,146 | 27,171 | 28,183 |
| Deferred | 17,704 | 18,150 | 19,379 | 19,246 | 20,002 |
| Frozen Leavers | 2,664 | 3,111 | 3,602 | 3,740 | 3,978 |
| Total | 69,375 | 72,076 | 76,878 | 77,865 | 78,991 |

Active membership appears to have reduced from 2023/24 to 2024/25 and may reflect the continuing budgetary pressure faced by the Local Authorities as, in previous years, there has consistently been an increase to the active membership totals. The number of deferred members has increased indicating that members accessing their pensions and transferring their benefits has decreased the number of leavers. Pensioner numbers have increased in line with previous years despite the early retirement exercises currently being undertaken by Local Authorities. Frozen leavers represent the members who have left the Scheme and have yet to claim their entitlement to a contributions refund or a transfer of their entitlement.

Management Expenses

| | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 |
|----------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Administration | 2,236 | 2,388 | 2,958 | 3,113 | 3,207 |
| Oversight and Governance | 713 | 615 | 743 | 872 | 722 |
| Investment Management | 23,820 | 23,901 | 17,767 | 22,039 | 20,926 |
| Total Management Expenses | 26,769 | 26,904 | 21,468 | 26,024 | 24,855 |

Unit Cost Per Member

| | 2020/21 £ | 2021/22 £ | 2022/23 £ | 2023/24 £ | 2024/25 £ |
|-----------------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Administrative Unit Cost per Member | 32.23 | 33.13 | 38.48 | 39.98 | 40.60 |
| Oversight and Governance Unit Cost per Member | 10.28 | 8.53 | 9.66 | 11.20 | 9.14 |
| Investment Management Unit Cost per Member | 343.35 | 331.61 | 231.11 | 283.03 | 264.92 |
| Total Cost per Member | 385.86 | 373.27 | 279.25 | 334.21 | 314.66 |

Remuneration Report

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

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

7.Economic and Market Background

Global Market

The past financial year was marked by fluctuating global bond yields driven by mixed inflation data, central banks' cautious rate adjustments, and geopolitical factors impacting economic stability. Global bond market sentiment was positive in June due to weaker-than-expected US inflation, leading to marginally lower government bond yields, while core inflation moderated in both the US and Europe, and Japan saw below-forecast inflation figures. The Federal Open Market Committee (FOMC) kept rates steady in June, as did the Bank of England (BoE) and Bank of Japan (BoJ), while the European Central Bank (ECB) cut key rates but raised inflation forecasts, with political shifts in France affecting markets. In September, Federal Reserve (the Fed) cut rates by 50bps amid weaker job growth, the ECB cut rates by 0.25%, the BoE held rates, and Japan maintained its policy rate. Later, the Fed cut rates by 25bps, indicating mixed views on future cuts, while the ECB reduced rates to 3.00% amid lower growth forecasts and political changes in France impacted bonds. US inflation slowed to 2.8% Year on Year (YoY), below expectations, with similar downside surprises in Europe and the UK, while Japan's inflation exceeded forecasts. In March, the Fed held rates steady amid tariff-driven inflation concerns, the ECB cut rates to 2.50%, and both the BoE and BoJ maintained rates amid economic uncertainty.

US Equities

Over the last year, the S&P 500 Index rose 8.14%, the Nasdaq gained 6.29%, and the Russell 2000 Index lagged with a -4.14% decline. Large-cap U.S. equities navigated a volatile but generally upward trajectory marked by a resilient domestic economy, rising corporate earnings, Fed interest rate cuts, post-election optimism, and a challenging finish (i.e., a sharp pullback from mid-February through March 2025). Momentum faded in February 2025 due to scepticism regarding the return on investment for AI-related capital spending, while rising trade tensions eroded consumer confidence and fuelled fears of slowing economic growth and shrinking corporate profits. The technology sector was especially affected, given its sensitivity to advances in frontier models, global supply chain disruptions, and shifts in trade policy. Notably, value equities and companies believed to have stable, defensive business models assumed market leadership during this risk-off period. In aggregate, U.S. growth and value stocks delivered similar returns for the trailing one-year period, albeit with very different performance paths. Top performing sectors in the S&P 500 Index included utilities, financials, communication services and consumer staples. Finally, among the “Magnificent Seven” stocks (Alphabet, Amazon, Apple, Meta Platforms, Microsoft, NVIDIA and Tesla), performance dispersion widened as relative strength was carried by Apple, Meta Platforms, NVIDIA and Tesla during the reporting period.

UK Equities

Global equity markets experienced broad rallies early in 2024, although UK equities lagged their US counterparts, where the 'Magnificent 7' made significant advances. Despite this, takeover activity in the UK increased through the year, with bids emerging across a diverse range of sectors. In the latter half of 2024, fears surrounding the October Budget announcement subdued further UK equity market progress. The Budget introduced significant fiscal loosening reminiscent of the pandemic era, leading to a rise in gilt yields to levels last seen after the Truss-Kwarteng mini-Budget. This resulted in muted equities performance as investors digested the impacts of the Budget; the prospect of fewer-than-expected rate cuts lifted the Banks sector but depressed rate-sensitive sectors. In 2025, the UK Chancellor's Spring Statement presented a mixed economic outlook with limited fiscal headroom, although growth projections were revised upward from 2026 onwards. The first quarter of 2025 saw significant shifts in market leadership by geography, sector, and style. U.S. equities retreated while UK and European markets advanced, and the value factor outperformed growth and quality. Economic and political uncertainty spurred a rally in defensive shares across Europe, led by Aerospace & Defence, with Banks, Energy and Healthcare also benefiting. The FTSE All Share rose by 10.5%, outperforming global equity markets, with performance driven by financials due to higher-for-longer interest rate expectations throughout the period.

European Equities

Over the 12-month period, European equities delivered modest gains, with the MSCI Europe Index rising 4.1% in EUR terms. However, beneath this headline performance lay significant dispersion across styles, sectors, and geographies. A clear example of this is the divergence in performance between value and growth. Over the period, the MSCI Europe Value Index rose 13.67%, while the MSCI Europe Growth Index was nearly flat at 0.15%, reflecting a clear preference for value and defensiveness amid heightened macro and geopolitical uncertainty.

Early in the period cyclical sectors led, but sentiment shifted mid-2024 as recession fears and upcoming elections in France and Germany prompted a defensive rotation. Sectors such as Financials, particularly banks, outperformed strongly, supported by resilient earnings and rising rates. European Banks have now outperformed the S&P 500 Index on a total returns basis over 1-, 3- and 5-years. Communication Services and Utilities also performed well, reinforcing the market's cautious stance. Conversely, Technology (especially Semiconductors) and Consumer Discretionary (notably Luxury) underperformed. Semiconductors pulled back after facing headwinds from delayed semiconductor recoveries, concerns over the longevity and scale of Hyperscalers AI capex, and tougher export rules to China.

From the start of the second quarter to the end of 2024, European equity markets were essentially flat. In Q1 2025, market dynamics shifted rapidly. A surge in fiscal ambition

from Germany, hopes for a Ukraine ceasefire, and a broader European "renaissance" narrative drove renewed investor interest. However, this was tempered by increased US uncertainty under President Trump's renewed "America First" stance, rising tariff threats, and fading consumer confidence, which sparked a further rotation away from growth. Growth underperformed value by over 9% in Q1 alone, intensified by extreme hedge fund de-risking in March.

Despite the near-term volatility, the longer-term outlook for European equities appears constructive. The region is benefiting from structural reforms, fiscal stimulus, and a shift toward domestic resilience, setting the stage for potentially broader and more sustainable earnings growth in the years ahead.

Emerging Markets Equities

MSCI Emerging Markets (EM) ended the period up 8.1%, outperforming MSCI Developed Markets (DM), which gained +7.0%. Whilst much of EM proved resilient, index heavyweight China had a particularly strong 12-month period, up +40.4%. China saw a significant rally following a material shift in Chinese stimulus policy announced at the September Politburo meeting. More recently, the market has been pushed higher driven by excitement around China's AI capabilities, and the return of foreign capital, particularly to the H-share market. Continued US Dollar weakness has also provided a tailwind for much of EM.

Central and Eastern Europe, Middle East, and Africa (CEEMEA) was the top performing region over the period, rising +12.9%. A collection of countries exposed to a potential resolution in the war between Russia and Ukraine did particularly well, with the Czech Republic, Hungary and Poland up +45.0%, +33.9% and +18.4%, respectively. Additionally, Emerging Europe has been a significant beneficiary of policy shifts emanating from Germany/the EU which have resulted in GDP upgrades in the region and a resurgent EUR. Latin America lagged (-13.6%), driven primarily by weakness in Mexico (-21.3%) and Brazil (-13.5%). The outcome of the presidential elections in Mexico in early June created a lot of volatility for Mexican financial assets, with the peso depreciating significantly.

Japanese Equities

Tokyo Stock Price Index (TOPIX) fell by 4% in the period. The Japanese stock market initially saw a rise in stock prices supported by the depreciation of the yen and the appreciation of the dollar, despite the Bank of Japan's announcement of the removal of negative interest rates. Subsequently, robust corporate earnings and shareholder return policies provided support, but cautious attitudes from Federal Reserve (FED) officials towards rate cuts within the year and heightened tensions in the Middle East led to some declines. However, by early July, further depreciation of the yen and appreciation of the dollar, along with rising U.S. stock prices, led to an increase in the market. At the end of

July, the Bank of Japan announced a policy rate hike and a plan to reduce government bond purchases. Coupled with a softening U.S. employment report and growing recession concerns, early August saw a historic adjustment. Following this, the market rebounded significantly due to a halt in yen appreciation and improved U.S. economic indicators, which alleviated recession concerns.

In September, the market started with a decline due to increased concerns about the U.S. economic slowdown and the appreciation of the yen against the dollar. However, mid-month, the Federal Open Market Committee (FOMC) implemented a 50-basis point rate cut, leading to a depreciation of the yen against the dollar and a subsequent rise in stock prices. Towards the end of the year, expectations for economic support measures increased due to the ruling coalition losing its majority, and aggressive shareholder return policies in corporate earnings provided support. However, early rate hike expectations from the Bank of Japan weighed on stock prices, resulting in only a slight increase. At the beginning of 2025, corporate share buybacks continued to support the market. However, the inauguration of U.S. President Donald Trump led to cautious movements to assess the economic impact of tariffs, and concerns about corporate earnings due to yen appreciation against the dollar following the Bank of Japan's rate hike led to a mixed market.

Bonds

Q2 2024 started with negative sentiment as investors reassessed their views on the future path of interest rates following the stronger-than-expected March inflation print in the US and other regions. YoY Consumer Price Index (CPI) inflation in the US accelerated by 3.5% YoY. Several macroeconomic data releases also came in above expectations. In Europe, April provisional CPI inflation data showed prices accelerating as expected, while core CPI accelerated marginally ahead of expectations. In the UK, CPI inflation surprised to the upside. Sentiment turned positive in May, thanks in part to weaker-than-expected inflation in the US. Credit spreads tightened, and risk assets performed well during the month. YoY CPI inflation in the US accelerated by 3.4%, in line with expectations. Euro area inflation exceeded expectations, both in headline and core, driven by services. Global bond market sentiment was generally positive in June, thanks in part to weaker-than-expected inflation in the US, leading to marginally declining developed market government bond yields. Credit spreads trended higher over the month. In the US, May YoY CPI inflation accelerated by 3.3%. In Europe, the European Central Bank (ECB) cut rates for the first time since 2019 in June, reducing its main interest rate from 4% to 3.75%. The UK also saw a downside surprise in inflation. In Japan, Q2 saw yields fluctuate and CPI remain stable.

Positivity continued into Q3 2024, driven by increasingly weak economic data and growing anticipation that the Fed would cut rates by their September meeting. In the US, inflation fell to 0.1% in June. In Europe, June's core CPI and CPI YoY were in line with

expectations, remaining flat. Similarly, in the UK and Japan, the inflation trajectory was stable over the month. In France, the second round of elections saw inconclusive results, meaning that no major bloc secured a majority. In the UK, the General Election saw victory for the opposition Labour Party over the ruling Conservative Party. The Bank of Japan raised its policy rate to 0.25%. Global bond market sentiment was positive in August, and in the US, YoY CPI continued its disinflationary trend. In Europe, August's provisional core CPI and YoY CPI declined in line with expectations. In the UK, YoY inflation nudged higher. The Bank of England (BoE) cut rates by 25bps to 5.0%. Positivity continued throughout September, driven by key central bank actions and economic data releases. During the month, the US YoY CPI continued its disinflationary trajectory, falling to 2.5%. In Europe, headline CPI figures printed at 2.2% YoY. Meanwhile, in the UK, YoY inflation held steady at 2.2%, as expected. Later in September, the Fed announced a 50bps rate cut to 4.75%-5%, recalibrating its monetary policy in a move which marked its first-rate reduction since March 2020. In Europe, the ECB cut its key interest rates by 0.25%. Japanese Government bond yields rose over the quarter, and inflation was stable.

Heading into Q4 2024, sentiment turned negative, as fiscal policy concerns came back into focus ahead of the upcoming US elections, and geopolitical tensions heightened due to escalation of events in the Middle East. The US CPI saw an upward surprise in YoY headline inflation (2.4%) and in Europe, September's final core and headline CPI figures increased. Conversely, the UK reported lower-than-expected YoY inflation. In Europe, the ECB cut rates as expected, lowering the deposit facility rate to 3.25%. The UK's Autumn budget delivered a looser-than-expected fiscal stance, with increased spending, taxation, and borrowing, leading to a slower pace of deficit reduction. November saw mostly positive sentiment despite renewed fiscal and trade policy concerns following Donald Trump's re-election. In the US, inflation data showed YoY CPI headline inflation accelerating. The Fed cut rates by 25bps to 4.50-4.75%. In Europe, October's core inflation remained stable (2.7% YoY), while in France, the minority government faced heightened risks of collapse over budget disagreements. The UK reported an increase in October YoY inflation to 2.3%, ahead of expectations, and the BoE cut rates by 25bps to 4.75%, citing continued disinflation. Global bond market sentiment was mostly negative in December, driven by renewed fiscal and trade policy concerns. In the US, UK and Europe, inflation increased. The Fed cut rates by 25bps to 4.25-4.00%, and the ECB reduced interest rates by 25bps to 3.00%, as expected, alongside downgraded growth and inflation projections. Over the quarter in Japan, yields rose and inflation, while easing initially, ultimately finished the quarter higher.

Q1 2025 started with positive market sentiment, with credit spreads tightening and risk assets performing well, despite ongoing uncertainty surrounding the inflation outlook and fiscal policy following President Trump's inauguration. In the US, inflation data showed CPI rising as expected, while in Europe, inflation remained stable. Meanwhile, UK inflation printed slightly below expectations. The ECB cut key interest rates by 0.25%. Global bond market sentiment was mixed in February, with credit spreads widening due

to a risk-off tone from heightened uncertainty and the backdrop of US tariff threats as a 10% tariff on Chinese imports took effect. In the US, inflation data showed CPI gained 3.0% YoY, above expectations. In Europe, inflation remained stable, with headline CPI at 2.4% YoY. UK inflation printed above expectations at 3.0% YoY. The German election saw the CDU/CSU bloc begin coalition talks with the centre-left SPD. In the UK, the BoE cut rates to 4.50%. Sentiment turned negative in March, as heightened uncertainty regarding US trade tariffs triggered a clear risk-off tone. US and European credit spreads widened. In the US, CPI accelerated by 2.8% YoY, below expectations. In Europe and the UK, inflation surprised to the downside printing 2.3% and 2.8% YoY, respectively. The US administration imposed 25% tariffs on imports from Canada and Mexico, followed by further tariff hikes on China, and 25% duties on steel and aluminium. In Europe, the ECB delivered a 25bps rate cut to 2.50%. Germany proposed reforms to its constitutional debt brake to allow increased defence spending, and the European Commission advanced an €800bn 'Rearm Europe' initiative. In Japan, yields rose over the quarter and CPI came in above expectations.

UK Property

Today, UK property continues to demonstrate strong fundamentals through consistent, observable valuation growth across sub-sectors, a highly favourable supply-demand imbalance due to low recent construction starts, and a limited new supply pipeline in the most attractive UK submarkets. Having already observed a ~25% price correction since June 2022, this suggests UK real estate is already well marked-to-market.

Despite global markets facing an increasingly challenging macro environment characterised by rising geopolitical uncertainty following an unprecedented escalation in global trade tensions and imposition of US tariffs, the UK economy is in a comparatively strong position relative to peer markets. UK headline inflation has been falling near to the BoE target, a stable government with a clear mandate remains focused on protecting and promoting growth, and good US relations command lower applicable tariffs. Whilst the concern of a tariff-driven global economic slowdown has heightened uncertainty, Britain's lower reliance on US exports and comparatively smaller [10%] tariffs imposed by Washington suggest any negative impact from tariffs on UK growth may be smaller relative to Britain's peers.

Historically, any slowing in GDP is typically mirrored in the real estate occupational markets, however, we remain of the opinion that the new real estate cycle will be anything but typical. Following the disruption and uncertainty of the pandemic and then the end of the great moderation, the supply response has not materialised. These strong fundamentals remain a recipe for long term sustainable rental growth, which together with marked-to-market valuations means the prospect of potential monetary policy easing—the principal tool to promote growth—may further benefit UK real estate. We continue to

monitor these dynamics closely, remaining cognisant of the impact the real economy may have on occupier demand and leasing.

The heightened volatility we observe today only serves to strengthen our thesis that the new real estate cycle we are starting to observe will be defined by greater uncertainty and increased dispersion, among economies, submarkets, sectors, assets. These divergences are creating tremendous opportunity for real estate investors with the will to not just withstand such change but also capture these opportunities by deploying near or at the bottom of the market into sectors and assets leveraging tailwind forces—namely changing demographics, digitalisation, and the green transition—which are set to drive in the new real estate cycle.

Presently, the logistics sector remains positioned for outperformance. Volumes in Q1 reached £1.1bn, down 40% versus last year with new supply constraints set to drive rental growth, particularly in markets where vacancy rates are already tight. What was once considered 'alternative' in real estate is quickly becoming mainstream. Increasingly, investors are allocating capital toward sectors that were traditionally viewed as alternative, such as healthcare, hospitality, childcare, senior living, data centres, and life sciences. UK residential stands out as a particularly attractive opportunity in today's environment for investors looking to build defensive cashflows into their portfolios. Residential transaction volumes in Q1 reached £1.8bn, up 8% from the same period last year.

The office market continues to face structural challenges for all but the premium new build stock. We have seen a broad reallocation away from offices as investors grapple with obsolescence risk, and challenges surrounding an increasing structural oversupply of secondary stock driven by tighter sustainability regulation. In the retail sector, we expect near term headwinds with transaction volumes reached £0.8bn in the first quarter of the year, which is 54% below the level reached in Q1 2024. Selective opportunities, however, exist in well-located, convenience-led retail and retail parks, which continue to benefit from resilient footfall.

Looking ahead, the UK remains well-positioned to navigate the rising uncertainty associated with tariffs, particularly when compared to its peer economies. The fundamentals of the UK real estate market remain robust, underpinned by constrained supply across key tailwind sectors and the most attractive submarkets. Recent events are likely to see caution restricting new supply for even longer, which we believe will help to sustain rental growth in the most attractive UK submarkets to underpin the expansion phase of the new market cycle.

| Market Returns | 1 yr (% p.a) | 3yr (% p.a) | 5yr (% p.a) |
|-------------------------------------------------------|-------------------------|------------------------|------------------------|
| Equities | | | |
| FTSE All Share Index | 10.5 | 7.3 | 11.9 |
| FTSE All World Index | 5.1 | 7.6 | 14.2 |
| FTSE All World ex-UK Index | 4.8 | 7.6 | 14.3 |
| FTSE North American Index | 5.9 | 9.0 | 17.0 |
| FTSE European (ex UK) Index | 3.0 | 7.8 | 11.6 |
| FTSE Japan Index | -3.2 | 6.0 | 7.9 |
| FTSE Developed Asia (ex Japan) Index | -5.8 | -1.8 | 7.7 |
| FTSE Emerging Markets Index | 10.0 | 3.6 | 8.5 |
| Bonds | | | |
| ICE BofA UK Gilts All Stocks Index | -1.2 | -6.1 | -5.8 |
| ICE BofA Sterling Non-Gilts Index | 2.4 | -0.8 | -0.2 |
| FTSE Actuaries UK Index-Linked Gilts All Stocks Index | -8.0 | -13.8 | -7.2 |

Source: Bloomberg, 31/03/2025

8. NESPF Investment Strategy

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

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

The objective of the Investment Strategy is to deliver long term returns which are greater than the growth in expenditure to be paid out in pensions. The investment strategy is monitored on an ongoing basis by the Pensions Committee and Pension Board, focusing on long term investment with consideration given to short term tactical considerations if appropriate.

The suitability of particular investments and types of investments are detailed in the Statement of Investment Principles. The Fund takes proper advice at reasonable intervals regarding their investments through their appointed advisors.

Asset Structure 2024/25

| Asset Class | Distribution as at 31 March 2024 | | Distribution as at 31 March 2025 | |
|-----------------------------------------|-------------------------------------|------------------------|-------------------------------------|------------------------|
| | Fund Actual % | Fund Benchmark % | Fund Actual % | Fund Benchmark % |
| Equities (including alternative assets) | 63.5 | 55.0 | 57.2 | 55.0 |
| Bonds/Credit | 17.9 | 22.5 | 20.8 | 22.5 |
| Property/Infrastructure | 16.4 | 20.0 | 15.5 | 20.0 |
| Cash/Other | 2.2 | 2.5 | 6.5 | 2.5 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 |

NESPF has continued to grow with assets being rebalanced in line with our Investment Strategy where appropriate. Given the rise in equity markets towards the end of the financial year we decreased our equity allocation in the first quarter of 2025 and will use this to reallocate to other asset classes in the following year.

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

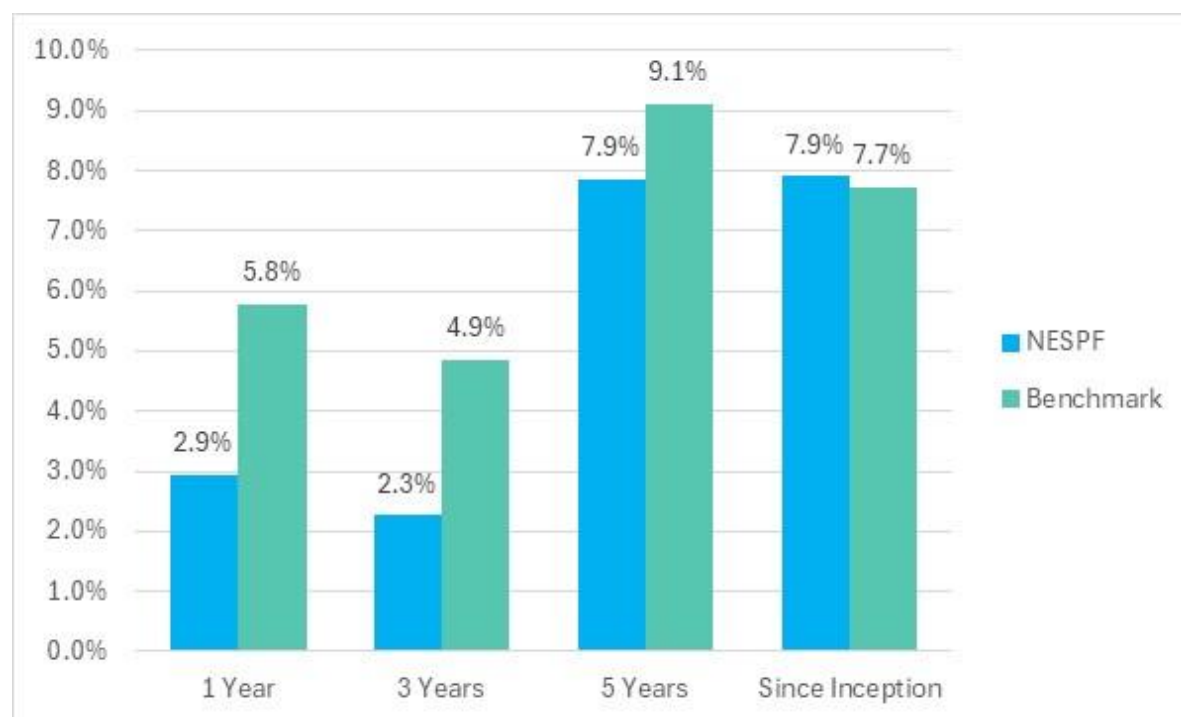
| | |
|-----------------------------------------------|----------------------|
| Equities | 50.0% (range +/- 5%) |
| Alternative Assets (including private equity) | 5.0% (range +/- 5%) |
| Bonds/Credit | 22.5% (range +/- 5%) |
| Property/Infrastructure | 20.0% (range +/- 5%) |
| Cash/Other | 2.5% (range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

North East Scotland Pension Fund Performance

Investment returns over the last year have been positive with the Fund returning 2.9% amidst economic and geopolitical volatility and continued changing outlook on interest rates. The cost of living crisis and investor sentiment has impacted on the Fund. Equity holdings are lagging their benchmark but being a long term investor NESPF has conviction in these positions.

Over the longer term NESPF continues to outperform the benchmark returns over these time periods and remains ahead of both the CPI and Average Earnings. This provides assurance that the Fund's Investment Strategy works and will continue to deliver the required returns over the longer term.

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



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

| Year Ending | 2022/23 | 2023/24 | 2024/25 | Since Inception Annualised |
|-------------------------|----------------|----------------|----------------|-----------------------------------|
| | % | % | % | % |
| CPI* | 10.1 | 3.2 | 2.6 | 2.8 |
| Average Earning* | 5.8 | 5.7 | 5.5 | 3.4 |
| NESPF Return | -4.1 | 9.5 | 2.9 | 7.9 |

*Source: Office of National Statistics

Investment Management Structure

Details of the Investment Management Structure is in the “Investments Analysed by Fund Manager” Note to the Accounts.

7. Risk

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

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

The operational management of investment risk forms the basis of quarterly reporting to the Pensions Committee and Pension Board.

The Fund's approach to risk is dynamic and can be revised in response to short term market events.

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

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

Risk Management

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

8. Funding Strategy Statement

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

The purpose of the FSS is therefore:

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

The FSS is required as part of Regulation 56 of the Local Government Pension Scheme (Scotland) Regulations 2018. As part of the 2023 actuarial valuation, the FSS for the North East Scotland Pension Fund was reviewed, with employers consulted on the revised version.

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

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

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

The Fund has delivered reductions to employers through the last two valuations, the most recent valuation in 2023 provided significant reductions due to the funding position of not only the Fund as a whole but also to the individual employer's funding position.

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

To address the negative cashflow the Fund has options, as part of its investment strategy the Fund has invested in assets that are income generating through varying asset classes that include, property, bonds, direct lending and infrastructure.

Those income streams will support the negative cashflow position which is monitored on an ongoing basis to deliver pensions and manage risk.

9. Statement of Investment Principles

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

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

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

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

10. Environmental, Social and Governance Issues

Responsible Investment & Engagement

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

What does this look like in practice?

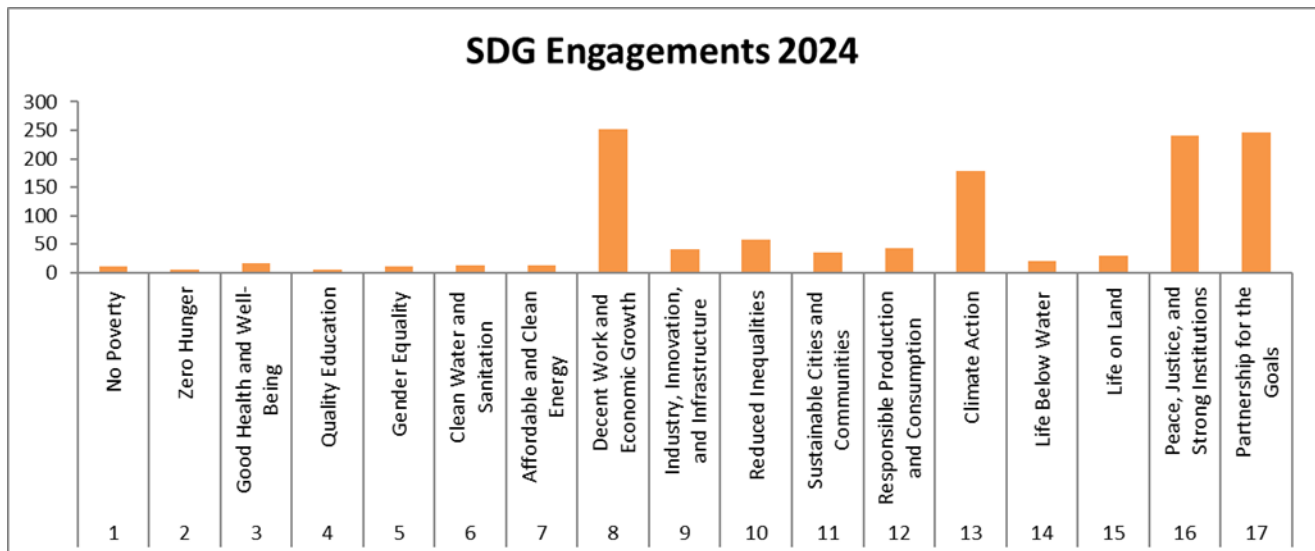
There are several things that we as an investor can do to make changes for the better.

Collaboration

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

The Local Authority Pension Fund Forum (LAPFF) unites a diverse array of local authority Pension Funds, comprising 87 funds and 7 pools, with a collective asset base exceeding £350 billion. The Forum offers a distinctive platform for Britain's local authority Pension Funds to engage in discussions on shareholder engagement and investment matters.

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



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

Water Stewardship

Context – LAPFF has been engaging with companies on water stewardship to address the significant risks associated with water scarcity and quality. This engagement is part of LAPFF's broader efforts to ensure that companies manage environmental risks effectively.

Activities – LAPFF has been engaging with Chipotle on its approach to water stewardship since 2019. The initial engagement objective was met in 2022, with the company undertaking an ingredient-level water risk assessment to identify areas of water stress within its supply chain. In 2024, LAPFF continued its engagement with Chipotle, meeting with the company to discuss its progress and expectations for setting measurable and time-bound targets to reduce negative impacts on freshwater.

LAPFF also engaged with Constellation Brands, urging the company to set time-bound, science-based goals to address water availability impacts in water-scarce areas across its value chain. This engagement included filing a shareholder resolution

requesting the company to issue a report assessing the feasibility of establishing such goals.

Outcomes – Chipotle published a goal to support water stewardship efforts to conserve and restore watersheds in priority regions. However, LAPFF noted that the goal lacked specificity and measurability, and will continue to work with the company to develop more robust and ambitious water goals.

At Constellation Brands, the shareholder resolution received significant support from the investor base, demonstrating the need for the company to improve its approach to managing water-related risks. LAPFF will continue to engage with Constellation Brands to ensure that it addresses these risks effectively.

Climate

Context – National Grid plays a crucial role in the UK's energy infrastructure and has been a key focus of LAPFF's climate engagement efforts for over a decade. The company is responsible for the transmission and distribution of electricity and gas, making it central to the UK's transition to a low-carbon economy.

Activities – In 2024, LAPFF continued its engagement with National Grid, focusing on the company's capital investment plans and climate transition strategy. LAPFF met with the company multiple times to discuss its updated Climate Transition Plan (CTP), which includes near-term climate targets aligned with the Science Based Targets initiative's (SBTi) 1.5°C pathway, and broader scenario analysis covering upstream Scope 3 emissions.

LAPFF also pressed National Grid for greater transparency and accountability on its direct and indirect lobbying activities. In response, National Grid published its Trade Association Review, detailing the organisations it is a member of, its assessment of whether they were aligned on climate policy, and the actions National Grid was taking to improve alignment.

Outcomes – National Grid disclosed its capital investment plan, which includes raising £7bn through the issue of over £1bn new shares and the largest UK rights issue since 2009. The plan represents a significant increase in capital investment to around £60 billion over the five-year period to 2029, with around 85%, or £51 billion, designated as “green investment.”

LAPFF's engagement led to National Grid releasing its refreshed Climate Transition Plan, setting out emission reduction targets and integrating GHG emissions reduction targets throughout the business. The company also committed to publishing a comprehensive report on its memberships of large organisations and reviewing its lobbying activities.

LAPFF will continue to engage with National Grid on the issue of gas distribution in North America and seek specific targets or actions relating to its role as an enabler of

the rollout of clean energy.

The above are just a couple of examples of engagement carried out by LAPFF, more in-depth information can be found at <http://www.lapffforum.org>

Fund Managers

Through our fund managers we can engage with companies more directly by raising concerns and meeting with Senior Management and Executives.

Fund managers report their engagements on a quarterly basis so we can monitor engagement activity.

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

Biodiversity at Lake Meirama

Through one of our Infrastructure portfolios, the Fund has an asset with environmental objectives to protect and restore biodiversity and ecosystems in their areas of activity. This asset is an energy company committed to transforming sites at the end of their useful life into large areas of biodiversity. One of the most notable projects undertaken by this energy company is the creation of Lake Meirama in Spain. This project involved transforming a former open-cast lignite mine into a large artificial lake, making it one of the largest environmental restoration projects in Spain. The lake spans 2.2 km in length and is a kilometer wide - the surrounding area has been reforested to enhance biodiversity.

The Lake Meirama project has successfully created a protected space rich in biodiversity, with almost 900 animal and plant species repopulating naturally, including endemic species. The lake's high water quality allows it to serve as a water reservoir for large populations, specifically A Coruña and its area of influence, without the need for intensive water treatment. This transformation not only supports local biodiversity but also contributes to the region's economic and tourism development, showcasing a sustainable approach to post-industrial land use.

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

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

Further information on these initiatives can be found on our website

<https://www.nespf.org.uk/about/investment/responsible-investment/>

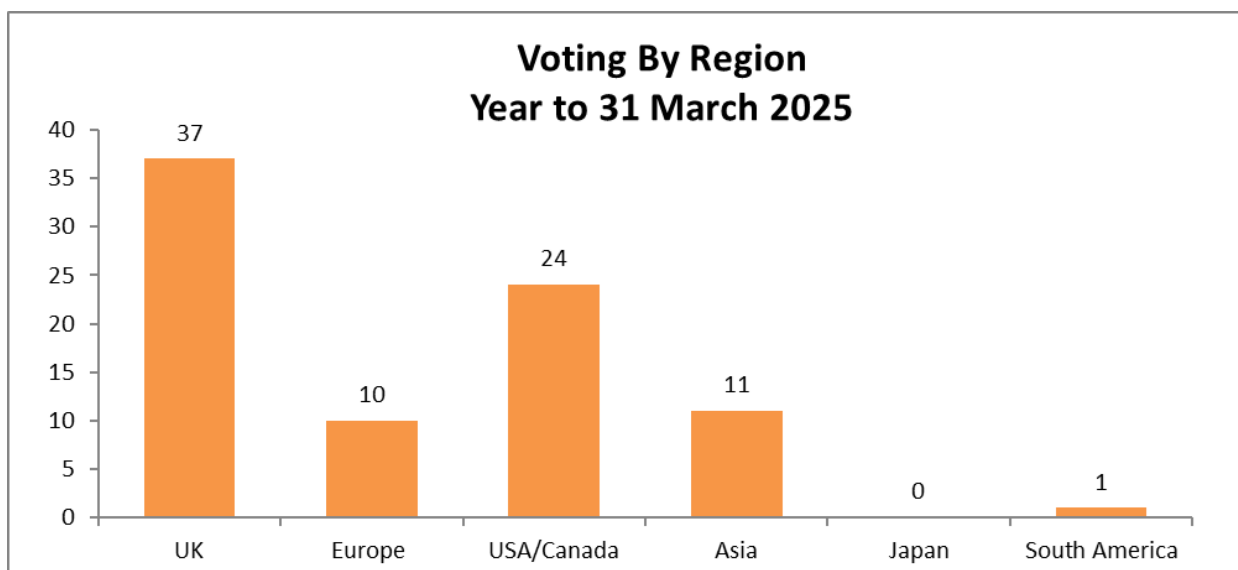
By working together, we and other investors can use our collective size to influence decision making and promote the highest standards of corporate governance and corporate responsibility.

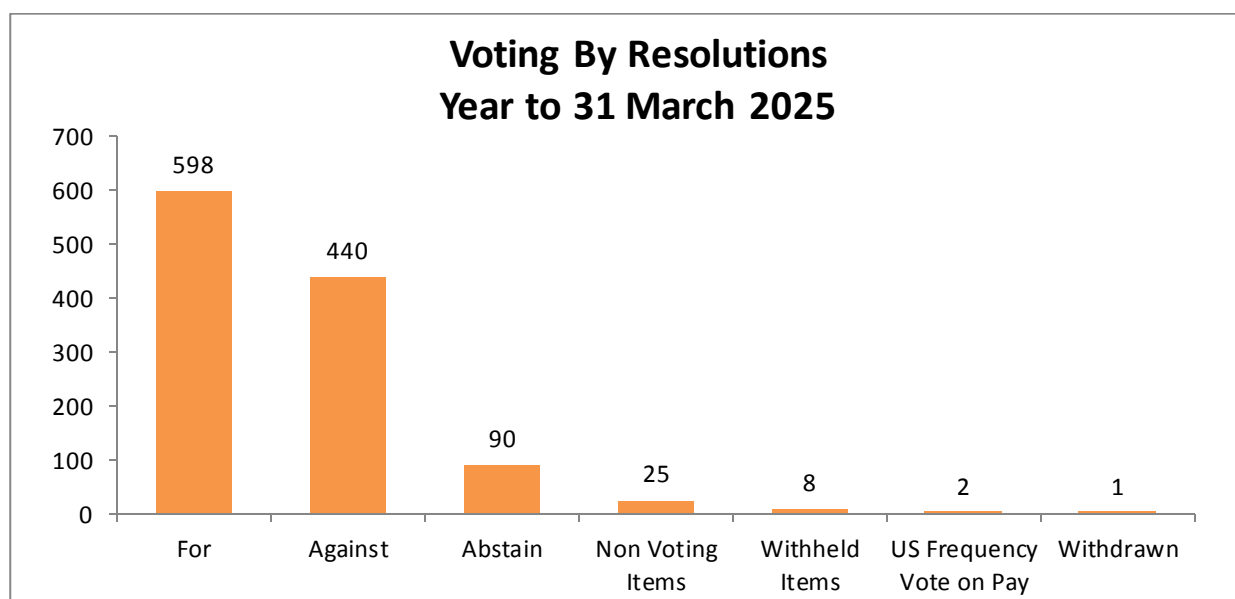
Voting

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

All voting on behalf of our investments, including both active and passive investments, is now conducted in-house. Over the last year we have voted at 83 Annual General Meetings/Special meetings on 1,164 resolutions. The Fund's voting advice is provided by PIRC (Pensions & Investments Research Consultants Ltd). Additional advice is also received from the Local Authority Pension Fund Forum.

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





During the year ending 31 March 2025, the primary reasons for casting a vote against a resolution were as follows:

Directors

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

Share Issues/Re-purchase

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

Annual Reports

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

TCFD Disclosure

We recognise that climate change is a systemic and material long-term financial risk. In line with best practice, we support the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and have published our first TCFD report, marking a key milestone in our commitment to transparency and climate risk management.

The TCFD framework enables stakeholders to better understand the financial system's exposure to climate-related risks, particularly those arising from transition and physical impacts. Our approach to managing climate risk is structured around the TCFD's four thematic areas:

- **Governance:** Oversight of climate-related risks is embedded within our investment governance framework.
- **Strategy:** We assess how climate risks and opportunities may affect our long-term investment strategy and asset allocation.
- **Risk Management:** We work with Fund Managers to identify, monitor, and manage climate-related risks across portfolios.
- **Metrics and Targets:** We are developing consistent climate metrics and targets to track progress and inform decision-making.

We continue to engage with Fund Managers on ESG issues and advocate for improved climate-related disclosures. Our full TCFD disclosure can be accessed here:

<https://www.nespf.org.uk/about/investment/responsible-investment/climate/task-force-on-climate-related-financial-disclosures/>

11. Acknowledgement

The production of the Annual Report and Accounts is very much a team effort involving many staff as well as information supplied by our advisors. We would like to take this opportunity to acknowledge the considerable efforts of staff in the production of the 2024/25 Annual Report and Accounts.

Angela Scott
Chief Executive

Jonathan Belford, CPFA
Chief Officer – Finance

Councillor John Cooke
Pensions Committee Convener

On behalf of Aberdeen City Council.

12 September 2025

Statement of Responsibilities

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

- a. Make arrangements for the proper administration of their financial affairs and to secure that the proper officer of the authority has responsibility for the administration of those affairs (Section 95 of the Local Government (Scotland) Act 1973). For the North East Scotland Pension Fund, that officer is the Chief Officer - Finance for Aberdeen City Council.
- b. Manage their affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- c. Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014) and so far, as is compatible with the legislation, in accordance with proper accounting practices (Section 12 of the Local Government in Scotland Act 2003).
- d. Approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Pensions Committee at its meeting on 12 September 2025.

Signed on behalf of Aberdeen City Council.

Councillor John Cooke
Pensions Committee Convener

The Chief Officer - Finance responsibilities:

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

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

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

The Chief Officer - Finance has also:

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

Financial Position:

I certify that the Annual Accounts give a true and fair view of the financial position of the North East Scotland Pension Fund at the reporting date and the transactions of the Fund for the year ended 31 March 2025.

Jonathan Belford, CPFA
Aberdeen City Council, Chief Officer – Finance
12 September 2025

Annual Governance Statement

Scope of Responsibility

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

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

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

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

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

Purpose of the Governance Framework for North East Scotland Pension Fund

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

The North East Scotland Pension Fund is governed by the Local Government Pension Scheme (Scotland) Regulations. These include requirements for the preparation and production of several key policy documents including a Funding Strategy Statement and Statement of Investment Principles. These documents set out the Fund's objectives together with the main risks facing the Fund and the key controls in place to mitigate those risks.

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure and can therefore only provide reasonable and not absolute assurance of effectiveness.

A governance framework has been in place at Aberdeen City Council and North East Scotland Pension Fund during 2024/25 and up to the date of approval of the Annual Report and Accounts.

The Governance Framework

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

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

The systems include:

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

These arrangements also include:

- a. A training programme to ensure that Pensions Committee and Pension Board members develop the required level of knowledge and understanding of the LGPS;
- b. Identifying the objectives of the Fund in the Funding Strategy Statement, Statement of Investment Principles and Service Plan. Quarterly updates are presented to the Pensions Committee;
- c. Monitoring the achievement of objectives by the Pensions Committee and Senior Officers;
- d. A systematic approach to monitoring service performance by the Pensions Committee, Senior Officers and stakeholders including benchmarking of services;
- e. A clear statement of risk combined with effective risk management arrangements. A risk register is updated and regularly reported to the Pensions Committee;
- f. The Monitoring Officer reports on any non-compliance with laws and regulations of which the Pensions Committee are made aware;
- g. Operating within clearly established investment guidelines defined by

- the Local Government Pension Scheme Investment Regulations and the Fund's Statement of Investment Principles;
- h. Compliance with the CIPFA Principles for Investment Decision Making in the Local Government Pension Scheme and the Myners Principles on investment;
- i. Appropriate investment custody arrangements with a Global Custodian and access to the custodian's extensive internal control framework;
- j. Monitoring of appointed fund managers and third party providers ensuring compliance within their management agreements and receipt of assurances from them on the adequacy of the internal financial control systems operated by them.

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

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

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

Review of Effectiveness

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

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

Management Assurance

As the administration of the Pension Fund is directly within the remit of the Chief Officer - Finance, assurance was sought from him in relation to the effectiveness of internal financial controls. These assurances provide the opportunity to highlight any weaknesses or areas of concern that should be taken account of. For 2024/25, no significant areas of weakness were highlighted.

In reviewing this, it has been assessed that the Council's financial management arrangements conform to the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2016). Furthermore, in relation to statutory postholders, the effectiveness of the Council's arrangements can

be evidenced through the relationship that they have had throughout the year with the Council and its officers, being full members of the Corporate Management Team. In addition, the Chief Officer - Finance and the Monitoring Officer are generally in attendance to advise not only the Council at its meetings, but the Audit, Risk and Scrutiny Committee and the Pensions Committee.

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

Assurance from Internal Audit

The Internal Audit function, for the Council and the Pension Fund, was under contract to Aberdeenshire Council during the financial year.

Towards the end of the year, Internal Audit conducted a review of the Pension Fund's Payroll with the outcome reported to the March 2025 Pensions Committee. No major issues or risks were reported.

The Chief Internal Auditor's annual report concluded that in his opinion the NESPF had an effective framework for Governance, Risk Management and Control. The Full Internal Audit report is on the Fund's website: <https://www.nespf.org.uk/media/ojgpb231/public-reports-pack-20062025-1000-pensions-committee-and-pension-board.pdf>.

At the Pensions Committee meeting on 21 March 2025, the 2025-28 three year Internal Audit plan was approved. These audits will focus on:

- 2025/26: Key Administrative Processes
- 2026/27: Pensions Investments
- 2027/28: Pensions Governance Arrangements

External Audit and Other External Scrutiny

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

Governance Compliance Statement

The LGPS regulations require administering authorities to measure their governance arrangements against the standards set out in the guidance. Where compliance does not meet the published standard, there is a requirement for administering authorities to set out any reasons for non-compliance in their Governance Compliance Statement. We consider our current governance structure to be fully compliant with the requirements of the CIPFA and SOLACE Principles A ii) and B i) as key stakeholders are represented on the Pension Board, which was established to underpin the work of the Pensions Committee. In 2024/25, there were no significant issues to highlight on the Governance Compliance Statement.

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

Certification

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of systems of governance operated by Aberdeen City Council and the North East Scotland Pension Fund. The annual review demonstrates that the governance and internal control environment operated effectively during the 2024/25 financial year. On a quarterly basis, written updates regarding the Pension Fund's adherence to Investment Strategies and Performance are provided to the Pensions Committee.

Angela Scott
Chief Executive

Jonathan Belford, CPFA
Chief Officer – Finance

Councillor John Cooke
Pensions Committee
Convener

On behalf of Aberdeen City Council

12 September 2025

Governance Compliance Statement

| Principle | Compliance |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| 1. Structure | |
| a) That employer representatives of participating LGPS employers, Admitted Bodies and Scheme members (including pensioner and deferred members) are members of either the main or secondary Committee established to underpin the work of the main Committee. | Fully compliant |
| b) The management of the administration of benefits and strategic management of fund assets clearly rests with the main Committee established by the appointing Council. | |
| c) That where a secondary Committee or panel has been established, the structure ensures effective communication across both levels. | |
| d) That where a secondary Committee or panel has been established, at least one seat on the main Committee is allocated for a member from the secondary Committee or panel. | |
| 2. Committee Membership and Representation | |
| a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary Committee structure. These include: i) employing authorities (including non Scheme employers, e.g. Admitted Bodies); ii) Scheme members (including deferred and pensioner Scheme members); iii) where appropriate, independent professional observers, and iv) expert advisors (on an ad hoc basis). | Fully compliant |
| b) That where lay members sit on a main or secondary Committee, they are treated equally in terms of access to papers, meetings and training and are given full opportunity to contribute to the decision making process, with or without voting rights. | |
| 3. Voting | |
| a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees. | Fully compliant |
| 4. Training/Facility Time/Expenses | |
| a) That in relation to the way in which statutory and related decisions are taken by the Administering Authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision making process. | Fully compliant |

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| b) That where such a policy exists, it applies equally to all members of committees, sub committees, advisory panels or any other form of secondary forum. | |
| c) That the Administering Authority considers the adoption of annual training plans for Committee members and maintains a log of all such training undertaken. | |
| 5. Meetings (Frequency/Quorum) | |
| a) That an Administering Authority's main Committee or committees meet at least quarterly. | Fully compliant |
| b) That an Administering Authority's secondary Committee or panel meet at least twice a year and is synchronised with the dates when the main Committee sits. | |
| c) That an Administering Authority who does not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented. | |
| 6. Access | |
| a) That subject to any rules in the Council's constitution, all members of main and secondary Committees or panels have equal access to Committee papers, documents and advice that falls to be considered at meetings of the Committee. | Fully compliant |
| 7. Scope | |
| a) That Administering Authorities have taken steps to bring wider Scheme issues within the scope of their governance arrangements. | Fully compliant |
| 8. Publicity | |
| a) That Administering Authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the Scheme is governed, can express an interest in wanting to be part of those arrangements. | Fully compliant |

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

Angela Scott
Chief Executive

Jonathan Belford, CPFA
Chief Officer – Finance

Councillor John Cooke
Pensions Committee Convener

On behalf of Aberdeen City Council

NORTH EAST SCOTLAND PENSION FUND ACCOUNTS

Fund Account for the year ended 31 March 2025

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

| | Notes | 2023/24 | 2024/25 |
|------------------------------------------------------------------------------------------|-------|--------------------|--------------------|
| | | £'000 | £'000 |
| Dealings with members, employers and others directly involved in the Fund | | | |
| Employees' Contributions | 3 | (39,651) | (40,654) |
| Employers' Contributions | 3 | (135,877) | (107,861) |
| Transfer Values | 4a | (3,415) | (3,744) |
| Other Income | | (3) | (4) |
| Additions | | (178,946) | (152,263) |
| Employers' Surplus Refunds/Exit Payments | 5 | 24,864 | 33,822 |
| Retirement Pensions | 6 | 157,148 | 171,686 |
| Retirement Allowances | 6 | 33,436 | 36,105 |
| Death Gratuities | 6 | 7,741 | 5,596 |
| Contributions Refunded | 7 | 499 | 717 |
| Transfer Values | 7 | 7,804 | 8,983 |
| Withdrawals | | 231,492 | 256,909 |
| Net (Additions)/Withdrawals from dealings with members | | 52,546 | 104,646 |
| Management Expenses | 8a | 26,024 | 24,855 |
| Net (Additions)/Withdrawals including Fund Management Expenses | | 78,570 | 129,501 |
| Return on Investment | | | |
| Investment Income | 9 | (87,224) | (85,390) |
| Taxes on Income | 9 | 530 | 724 |
| Profits and Losses on Disposal of Investments and Changes in Market Value of Investments | 10 | (445,922) | (146,769) |
| Net Return on Investments | | (532,616) | (231,435) |
| Revaluation of Insurance Buy In Contract | 18c | 20,924 | (5,699) |
| Net (Increase)/Decrease in the Net Assets available for Benefits during the year | | (433,122) | (107,633) |
| Opening Net Assets of the Fund | | (5,803,777) | (6,236,899) |
| Closing Net Assets of the Fund | | (6,236,899) | (6,344,532) |

NORTH EAST SCOTLAND PENSION FUND ACCOUNTS

Net Assets Statement as at 31 March 2025

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

| | Notes | 2023/24 | 2024/25 |
|-----------------------------------------|-------|-------------------------|-------------------------|
| | | £'000 | £'000 |
| Investment Assets | | | |
| Equities | | 2,431,401 | 2,060,020 |
| Pooled Funds | 11 | 2,516,109 | 2,745,467 |
| Direct Property | 15 | 381,000 | 383,364 |
| Private Equity | | 500,286 | 531,672 |
| Private Debt | | 129,789 | 83,984 |
| Funds held by Investment Managers | | 137,659 | 408,926 |
| ACC Loans Fund Deposit | 21 | 41,150 | 29,375 |
| Investment Income Due | | 2,543 | 2,579 |
| Investment Sales Amount Receivable | | 16,520 | 2,058 |
| Total Investment Assets | | <u>6,156,457</u> | <u>6,247,445</u> |
| Investment Liabilities | | | |
| Investment Purchases Amount Payable | | (27,072) | (1,325) |
| Net Investment Assets | | <u>6,129,385</u> | <u>6,246,120</u> |
| Insurance Buy In Contract | 20a | 127,000 | 122,379 |
| Life Time Tax Allowance | 20a | 174 | 145 |
| Long Term Assets | | <u>127,174</u> | <u>122,524</u> |
| Current Assets | 20b | 16,607 | 14,348 |
| Current Liabilities | 20c | (36,267) | (38,460) |
| Net Current Assets/(Liabilities) | | <u>(19,660)</u> | <u>(24,112)</u> |
| Closing Net Assets of the Fund | | <u>6,236,899</u> | <u>6,344,532</u> |

The unaudited accounts were authorised on 20 June 2025 and the audited accounts were authorised for issue by Jonathan Belford on 12 September 2025.

Jonathan Belford, CPFA
Aberdeen City Council, Chief Officer – Finance
12 September 2025

NOTES TO THE NORTH EAST SCOTLAND PENSION FUND ACCOUNTS

Note 1: Accounting Policies

The North East Scotland Pension Fund's Accounts have been prepared in accordance with the Code of Practice on Local Authority accounting in the UK (the Code).

The Annual Accounts summarise the Fund's transactions for the 2024/25 financial year and its position at year end as at 31 March 2025.

The Annual Accounts do not take account of the obligation to pay pensions and benefits which fall due after the end of the year.

The Fund's Annual Accounts are prepared on an accruals basis.

Contribution Income

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

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

Transfers to and from other Schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme (Scotland) Regulations.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Investment Income

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

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

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

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

advance.

The property portfolio accounts are prepared on an accruals basis.

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund Account - Expenses Benefits Payable

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

Taxation

The Fund is a registered public service Scheme under Section 1 (1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

Management Expenses

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

a.) Administrative Expenses and Oversight and Governance Costs

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

b.) Investment Management Expenses

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

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

In addition, the Fund has negotiated performance related fees with several of its investment managers. Performance related fees were £4,202,274 in 2024/25 (£5,618,140 in 2023/24).

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

Financial Assets

Financial assets are included in the Net Assets Statement on a fair value basis at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised by the Fund.

Valuation of Investments

All investments are valued at their market value at 31 March 2025 and are determined as follows:

All stocks within the FTSE 100 are valued based on the last traded price recorded on SETS (the Stock Exchange Electronic Trading Service), while all other listed securities are valued on the basis of the market conventions where primarily traded, which is either last traded or bid market price.

Investments held in foreign currency have been valued on the above basis and translated into sterling at the rate ruling at the balance sheet date.

Private equity/debt and infrastructure assets are independently valued by the appointed Fund Manager and General Partners. Fair value is calculated by applying Private Equity and Venture Capital Valuation Guidelines.

Unlisted investments are valued using one of the following methodologies:

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

When applying an Earning Multiple, the Fund Manager/General Partner will use the best estimate of maintainable earnings. In accordance with guidelines, discounts have been applied for size, quality of earnings, gearing and dependency on one customer where appropriate. A Marketability Discount will also have been applied to reflect liquidity.

Direct property investments are valued by an external valuer (JLL), in accordance with the Valuation Standards issued by The Royal Institute of Chartered Surveyors.

The valuer's opinion of Market Value was primarily derived using:

- Income approach using the Investment Method.

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

Derivatives

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

The value of future contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.

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

Cash

Cash comprises of cash in hand and demand deposits.

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

Financial Liabilities

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

Actuarial Present Value of Promised Retirement Benefits

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

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

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

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

Additional Voluntary Contributions

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

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

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

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

The value of unquoted investments at 31 March 2025 was £1,268,281,146 (31 March 2024 £1,307,335,785).

Actuarial Present Value of Promised Retirement Benefits

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

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

Insurance Buy In Contract

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

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

Events after the Reporting Period

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

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

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

Changes in Accounting Policies

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

Accounting Standards That Have Been Issued but Not Yet Adopted

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

IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability) issued in August 2023. The amendments to IAS 21 clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enable users of financial statement to understand the impact of a currency not being exchangeable.

Until this change, IAS 21 set out the exchange rate to use when exchangeability between two currencies is temporarily lacking, but not what to do when exchangeability is not temporary.

On 15 August 2023, the IASB issued amendments to IAS 21 to help entities;

- assess exchangeability between two currencies; and
- determine the spot exchange rate, when exchangeability is lacking

This amendment is not expected to have a significant impact on the financial statements.

IFRS 17 Insurance Contracts issued in May 2017. IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts. IFRS 17 affects any company that writes insurance contracts – such contracts are not written by the Pension Fund.

This amendment will not have a material impact on the Pension Funds financial statements.

The changes to the measurement of non-investment assets within the 2025/26 CIPFA Code of Practice include adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach.

These amendments are not likely to affect Pension Fund transactions.

IFRS 16 Leases

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

Note 2: Actuarial Valuation Report

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

Information from the 2023 Actuarial Valuation is detailed below:

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

Funding Level

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

Achieving the Solvency Funding Target

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

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

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

Schedule to the Rates and Adjustments Certificate

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

Assumptions used to Calculate Funding Target

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

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

Actuarial Statement

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

The actuarial value of promised retirement benefits at the accounting date, calculated in line with International Accounting Standards 26 (IAS 26) assumptions, is estimated to be £4,189m (2024 £4,706m).

The following factors that have had a key impact on the actuarial gains shown for the year to 31 March 2025:

- A change in financial assumptions including an increase in the discount rate resulted in a significant reduction in calculated liabilities of £699m;
- The demographic assumptions have been updated since the previous IAS26 disclosure. This has had the effect of increasing the liabilities by around £66m;
- The IAS 26 figures fluctuate as a result to changes to the assumptions used. The attached table shows the sensitivity of the results to some of the key assumptions;

| Changes in assumptions as of 31 March 2025 | Approximate % increase to the promised retirement benefits | Approximate monetary amount (£m) |
|-------------------------------------------------------|-----------------------------------------------------------------------|-------------------------------------------------|
| 0.1% p.a. decrease in the Discount rate | 2% | 67 |
| 1 year increase in the member life expectancy | 4% | 168 |
| 0.1% p.a. increase in the Salary Increase Rate | 0% | 4 |
| 0.1% increase in the Rate of CPI Inflation | 1% | 63 |

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

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

Note 3: Contributions Receivable

| By Category | 2023/24 | 2024/25 |
|-------------------------------------------|----------------|----------------|
| | £'000 | £'000 |
| | | |
| Employees' Normal Contributions | 39,651 | 40,654 |
| | | |
| Employers' Normal Contributions | 132,815 | 102,355 |
| Employers' Deficit Recovery Contributions | 3,062 | 5,506 |
| Total Employers' Contributions | 135,877 | 107,861 |
| | | |
| Total | 175,528 | 148,515 |

| By Authority | 2023/24 | 2024/25 |
|-------------------------|----------------|----------------|
| | £'000 | £'000 |
| | | |
| Administering Authority | 47,980 | 34,970 |
| Scheduled Bodies | 111,570 | 99,615 |
| Admitted Bodies | 15,978 | 13,930 |
| | | |
| Total | 175,528 | 148,515 |

Note 4a: Transfers In from other Pension Funds

| | 2023/24 | 2024/25 |
|----------------------|----------------|----------------|
| | £'000 | £'000 |
| | | |
| Individual Transfers | 3,415 | 3,744 |
| | | |
| Total | 3,415 | 3,744 |

Note 5: Employers' Surplus Refunds/Exit Payments

| | 2023/24 | 2024/25 |
|-------------------------------------------|----------------|----------------|
| | £'000 | £'000 |
| | | |
| Employers' Surplus Refunds/Exit Payments* | 24,864 | 33,822 |
| | | |
| Total | 24,864 | 33,822 |

*Four employers terminated their admission agreements with the Fund and one employer transferred out. Surplus refunds/exit payments were calculated by the Scheme Actuary.

Note 6: Benefits Payable

| By Category | 2023/24 | 2024/25 |
|----------------------------------------------|----------------|----------------|
| | £'000 | £'000 |
| | | |
| Pensions | 157,148 | 171,686 |
| Commutation and Lump Sum Retirement Benefits | 33,436 | 36,105 |
| Lump Sum Death Benefits | 7,741 | 5,596 |
| | | |
| Total | 198,325 | 213,387 |

| By Authority | 2023/24 | 2024/25 |
|-------------------------|----------------|----------------|
| | £'000 | £'000 |
| | | |
| Administering Authority | 50,137 | 56,110 |
| Scheduled Bodies | 112,004 | 124,830 |
| Admitted Bodies | 36,184 | 32,447 |
| | | |
| Total | 198,325 | 213,387 |

Note 7: Payment to and on Account of Leavers

| | 2023/24 | 2024/25 |
|-------------------------------------------|----------------|----------------|
| | £'000 | £'000 |
| | | |
| Refunds to Members Leaving Service | 503 | 720 |
| Payments for Members Joining State Scheme | (4) | (3) |
| Individual Transfers | 7,804 | 8,983 |
| | | |
| Total | 8,303 | 9,700 |

Note 8a: Management Expenses

| | 2023/24 | 2024/25 |
|------------------------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Pension Fund Staffing Costs – Administration | 1,787 | 1,836 |
| Information Technology | 556 | 645 |
| Supplies & Services | 192 | 150 |
| Accommodation | 560 | 571 |
| Printing and Publications | 18 | 5 |
| Administration Expenses Total | 3,113 | 3,207 |
| Pension Fund Staffing Costs – Investment | 262 | 245 |
| Pension Fund Committee | 2 | 2 |
| Pension Board | 4 | 2 |
| External Audit Fee | 51 | 52 |
| Internal Audit Fee | 12 | 15 |
| Actuarial Fees | 330 | 104 |
| General Expenses | 211 | 302 |
| Oversight and Governance Expenses Total | 872 | 722 |
| Investment Management* | 14,395 | 14,319 |
| Performance Fees* | 5,618 | 4,202 |
| Direct Operating Property Expenses | 761 | 1,143 |
| Transaction Costs | 1,095 | 1,122 |
| Custody Fees | 170 | 140 |
| Investment Management Expenses Total | 22,039 | 20,926 |
| Management Expenses Grand Total | 26,024 | 24,855 |

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

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

Note 8b: Investment Management Expenses by Asset Class

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

| 2023/24 | Management Fees | Performance Fees | Direct Property Expenses | Transaction Costs | Total |
|-----------------|-----------------|------------------|--------------------------|--------------------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| | | | | | |
| Bonds | 81 | | | | 81 |
| Equities | 4,804 | 1,820 | | 1,095 | 7,719 |
| Pooled Funds | 2,264 | 950 | | | 3,214 |
| Property | 1,077 | | 761 | | 1,838 |
| Private Equity | 3,525 | 1,767 | | | 5,292 |
| Private Debt | 2,644 | 1,081 | | | 3,725 |
| Subtotal | 14,395 | 5,618 | 761 | 1,095 | 21,869 |
| | | | | Custody Fees | 170 |
| | | | | Grand Total | 22,039 |

Note 8c: Analysis of Transaction Costs

| Commission £'000 | Fees/ Tax £'000 | 2023/24 Total £'000 | Asset Type | Commission £'000 | Fees/ Tax £'000 | 2024/25 Total £'000 |
|---------------------|-----------------------|---------------------------|---------------|---------------------|-----------------------|---------------------------|
| | | | | | | |
| 384 | 711 | 1,095 | Equities | 362 | 420 | 782 |
| 0 | 0 | 0 | Pooled Funds | 340 | 0 | 340 |
| | | | | | | |
| 384 | 711 | 1,095 | Total | 702 | 420 | 1,122 |

Note 9: Investment Income

| | 2023/24 | 2024/25 |
|---------------------------------------------------|-----------------|-----------------|
| | £'000 | £'000 |
| Bonds | (186) | 0 |
| Equity Dividends | (24,544) | (23,359) |
| Property Rental Income | (20,333) | (22,590) |
| Interest on Cash Deposit | (8,911) | (7,362) |
| Pooled Funds | (20,704) | (16,317) |
| Private Equity | (585) | (377) |
| Private Debt | (12,206) | (16,110) |
| Other (including P/L from Currency & Derivatives) | 245 | 725 |
| Total | (87,224) | (85,390) |
| Tax | | |
| Withholding Tax – Equities | 530 | 724 |
| Total Tax | 530 | 724 |
| Net Total | (86,694) | (84,666) |

Note 10: Investment Assets

Reconciliation of Movements in Investments and Derivatives:

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

Reconciliation of Movements in Investment and Derivatives (continued):

| | Market Value 31 March 2023 | Purchases | Sales | Change in Market Value | Market Value 31 March 2024 |
|----------------------------------------------|-----------------------------------------------|------------------|--------------------|---------------------------------------|-----------------------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| | | | | | |
| Bonds | 46,218 | 0 | (41,889) | (4,329) | 0 |
| Equities | 2,161,917 | 824,687 | (894,245) | 339,042 | 2,431,401 |
| Pooled Funds | 2,230,604 | 169,479 | (30,116) | 146,142 | 2,516,109 |
| Property | 367,200 | 40,297 | (12,012) | (14,485) | 381,000 |
| Private Equity | 480,612 | 75,204 | (38,532) | (16,998) | 500,286 |
| Private Debt | 155,026 | (7,581) | (14,206) | (3,450) | 129,789 |
| | | | | | |
| | 5,441,577 | 1,102,086 | (1,031,000) | 445,922 | 5,958,585 |
| | | | | | |
| Other | | | | | |
| | | | | | |
| Cash | 219,654 | | | | 178,809 |
| Investment Income Due | 2,024 | | | | 2,543 |
| Investment Sales Amount Receivable | 161 | | | | 16,520 |
| Investment Purchases Amount Payable | 0 | | | | (27,072) |
| | | | | | |
| Net Investment Assets | 5,663,416 | | | | 6,129,385 |

Note 11: Analysis of Investments

| | 2023/24 | 2024/25 |
|--------------------------------------|------------------|------------------|
| | £'000 | £'000 |
| Equities - UK | 392,251 | 296,539 |
| Equities - Overseas | 2,039,150 | 1,763,481 |
| Equities | 2,431,401 | 2,060,020 |
| Pooled Funds Breakdown: | | |
| Bonds | 840,348 | 1,111,450 |
| Equities | 1,125,612 | 1,103,770 |
| Infrastructure - Unit Trust | 95,466 | 57,766 |
| Infrastructure - Limited Partnership | 454,683 | 472,481 |
| Pooled Funds | 2,516,109 | 2,745,467 |
| Direct Property | 381,000 | 383,364 |
| Private Equity | 500,286 | 531,672 |
| Private Debt | 129,789 | 83,984 |
| Other Investments | 1,011,075 | 999,020 |
| Funds held by Investment Managers | 137,659 | 408,926 |
| ACC Loans Fund Deposit | 41,150 | 29,375 |
| Investment Income Due | 2,543 | 2,579 |
| Investment Sales Amount Receivable | 16,520 | 2,058 |
| Other Balances | 197,872 | 442,938 |
| Investment Assets Total | 6,156,457 | 6,247,445 |
| Investment Liabilities | | |
| Investment Purchases Amounts Payable | (27,072) | (1,325) |
| Investment Liabilities Total | (27,072) | (1,325) |
| Net Investment Assets | 6,129,385 | 6,246,120 |

Note 12: Analysis of Derivatives

Futures

There were no outstanding exchange traded future contracts, as at 31 March 2025.

Forward Foreign Currency

There were no outstanding forward foreign currency contracts as at 31 March 2025.

Note 13: Investments Analysed by Fund Manager

| | 31 March 2024 | | 31 March 2025 | |
|----------------------------------------------|------------------|--------------|------------------|--------------|
| | £'000 | % | £'000 | % |
| Investment Assets | | | | |
| State Street Global Advisors | 1,468,479 | 23.5 | 1,511,569 | 23.8 |
| Baillie Gifford | 1,291,963 | 20.7 | 1,050,945 | 16.6 |
| BlackRock Asset Management | 1,161,225 | 18.6 | 1,030,679 | 16.2 |
| BlackRock Renewable Power III | 62,552 | 1.0 | 52,554 | 0.8 |
| Abrdn (Property) | 391,347 | 6.3 | 390,313 | 6.1 |
| Abrdn (Property Residential) | 28,123 | 0.5 | 29,533 | 0.5 |
| HarbourVest | 330,500 | 5.3 | 382,935 | 6.0 |
| ACC Loans Fund Deposit | 41,150 | 0.7 | 29,375 | 0.4 |
| Global Custodian | 97,404 | 1.5 | 383,104 | 6.1 |
| Partners Group | 35,815 | 0.6 | 27,156 | 0.5 |
| Maven Capital | 22 | 0.0 | 23 | 0.0 |
| Unigestion | 81,411 | 1.3 | 66,723 | 1.1 |
| Russell Multi Asset Credit | 116,939 | 1.9 | 332,176 | 5.2 |
| Aviva Infrastructure | 95,466 | 1.5 | 57,766 | 0.9 |
| Hermes Infrastructure | 82,651 | 1.3 | 83,747 | 1.3 |
| Alcentra | 62,133 | 1.0 | 48,451 | 0.8 |
| Hayfin Direct Lending | 67,656 | 1.1 | 36,001 | 0.6 |
| Insight Credit | 380,542 | 6.1 | 371,476 | 5.9 |
| Allianz Home Equity | 24,420 | 0.4 | 25,306 | 0.4 |
| IFM Global Infrastructure | 309,587 | 5.0 | 336,287 | 5.3 |
| Schroders | 0 | 0.0 | 0 | 0.0 |
| | 6,129,385 | 98.3 | 6,246,119 | 98.5 |
| Net Long and Current Assets | | | | |
| Bank Account | 10 | 0.0 | 15 | 0 |
| Long Term and Current Debtors Less Creditors | 107,504 | 1.7 | 98,398 | 1.5 |
| | | | | |
| Net Assets | 6,236,899 | 100.0 | 6,344,532 | 100.0 |

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

| Security | Market Value 31 March 2024 | % of Net Investment Assets | Market Value 31 March 2025 | % of Net Investment Assets |
|---------------------------------------------|-------------------------------------------|-------------------------------------------|-------------------------------------------|-------------------------------------------|
| | £'000 | | £'000 | |
| MPF International Equity Index Pooled Fund* | 611,736 | 9.98 | 548,367 | 8.64 |
| MPF UK Equity Pooled Fund* | 513,875 | 8.38 | 555,403 | 8.75 |
| Insight Investment Mgt Global Funds* | 380,542 | 6.21 | 371,476 | 5.86 |
| MPF UK Index Linked Gilts* | 342,868 | 5.59 | 407,799 | 6.40 |
| IFM Global Infrastructure | 308,067 | 5.03 | 336,287 | 5.30 |
| Russell Investment Qual Inv Alt Acc | 116,939 | 1.09 | 332,176 | 5.24 |

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

Note 14: Stock Lending

| | 31 March 2024 | Collateral Percentage | 31 March 2025 | Collateral Percentage |
|-------------------------|----------------------|------------------------------|----------------------|------------------------------|
| | £'000 | | £'000 | |
| Stock on Loan | | | | |
| Equities | 537,669 | | 246,142 | |
| Total Exposure | 537,669 | | 246,142 | |
| | | | | |
| Total Collateral | 573,243 | 107% | 260,856 | 106% |

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

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

Note 15: Property Holdings

| | 2023/24 | 2024/25 |
|-----------------------------------------|----------------|----------------|
| | £'000 | £'000 |
| | | |
| Opening Balance | 367,200 | 381,000 |
| Purchases | 35,150 | 21,774 |
| Construction | 5,092 | 481 |
| Subsequent Expenditure | 55 | 55 |
| Disposals | (12,012) | (19,661) |
| Net Increase/(Decrease) in Market Value | (14,485) | (285) |
| | | |
| Closing Balance | 381,000 | 383,364 |

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

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

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

| | 2023/24 | 2024/25 |
|---------------------------------|----------------|----------------|
| | £'000 | £'000 |
| | | |
| Within One Year | 19,304 | 19,214 |
| Between One Year and Five Years | 60,591 | 59,661 |
| Later than Five Years | 88,631 | 127,182 |
| | | |
| Total | 168,526 | 206,057 |

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

Based upon the Fund's own historic experience but also on similar properties received from the Fund's property letting agents, the above disclosure for 2024-25 has seen no adjustment being required for a credit loss allowance.

Note 16: Financial and Non-Financial Instruments

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

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

| 31 March 2024 - Restated | | | | 31 March 2025 | | |
|------------------------------------------------|--------------------------|-----------------------------------------|------------------------------------|------------------------------------------------|--------------------------|-----------------------------------------|
| Designated as Fair Value through Profit & Loss | Assets at Amortised Cost | Financial Liabilities at Amortised Cost | | Designated as Fair Value through Profit & Loss | Assets at Amortised Cost | Financial Liabilities at Amortised Cost |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| | | | Financial Assets | | | |
| 0 | | | Bonds | 0 | | |
| 2,431,401 | | | Equities | 2,060,020 | | |
| 2,516,109 | | | Pooled Funds | 2,745,467 | | |
| 500,286 | | | Private Equity | 531,672 | | |
| 129,789 | | | Private Debt | 83,984 | | |
| | 178,809 | | Cash | | 438,301 | |
| | 19,063 | | Other Investment Balances | | 4,637 | |
| | 16,781 | | Debtors | | 14,493 | |
| *127,000 | | | *Insurance Buy In | 122,379 | | |
| 5,704,585 | 214,653 | | Subtotal | 5,543,522 | 457,431 | |
| | | | Financial Liabilities | | | |
| | | (27,072) | Other Investment Balances | | | (1,325) |
| | | (36,267) | Creditors | | | (38,460) |
| | | (63,339) | | | | (39,785) |
| 5,704,585 | 214,653 | (63,339) | Financial Instruments Total | 5,543,522 | 457,431 | (39,785) |
| | | | Non-Financial Instruments | | | |
| 381,000 | | | Property | 383,364 | | |
| 6,085,585 | 214,653 | (63,339) | | 5,926,886 | 457,431 | (39,785) |
| | | 6,236,899 | Net Assets of the Fund | | | 6,344,532 |

*This represents the Insurance Buy In contract which has been designated as Fair Value through Profit and Loss at 31 March 2025. Therefore, presentation at 31 March 2024 has been amended for comparability.

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

| 31 March 2024 | | 31 March 2025 |
|----------------------|------------------------------------------------------|----------------------|
| £'000 | Financial Assets | £'000 |
| | | |
| 460,407 | Fair Value through Profit and Loss | 147,229 |
| | | |
| | Financial Liabilities | |
| | | |
| 0 | Fair Value through Profit and Loss | 0 |
| | | |
| 460,407 | Net Gains and Losses on Financial Instruments | 147,229 |
| | | |
| | Non-Financial Instruments | |
| | | |
| (14,485) | Fair Value through Profit and Loss | (460) |
| | | |
| 445,922 | Net Gains and Losses of the Fund | 146,769 |

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

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

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets and liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

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

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

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

The values of the investments in unquoted private equity/debt and infrastructure are based on valuations provided by the general partners to the funds in which North East Scotland Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The following table provides an analysis of the financial assets and liabilities of the Pension Fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

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

Note 18a: Fair Value – Basis of Valuation

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

| Description of Asset | Valuation Hierarchy | Basis of Valuation | Observable and Unobservable Inputs | Key Sensitivities Affecting the Valuations Provided |
|--------------------------------------------------------------|----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|
| Market Quoted Investments | Level 1 | Published bid market price ruling on the final day of the accounting period | Not required | Not required |
| Quoted Bonds | Level 1 | Fixed interest securities are valued at a market value based on current yields | Not required | Not required |
| Exchange Traded Pooled Investments | Level 1 | Closing bid value on published exchanges | Not required | Not required |
| Forward Foreign Exchange Derivatives | Level 2 | Market forward exchange rates at the year end | Exchange rate risk | Not required |
| Pooled Investments – Overseas Unit Trusts and Property Funds | Level 2 | Closing bid price where bid and offer prices are published. Closing single price where single price published | NAV based pricing set on a forward pricing basis | Not required |
| Freehold and Leasehold Properties | Level 3 | Valued at fair value at the year end using the investment method of valuation by Valuers under the supervision of Tom Priest MRICS and Claire Magowan MRICS of Savills | Existing lease terms and rentals Independent market research Nature of Tendencies Covenant Strength for existing | |

| | | | | |
|---------------------------------------|---------|--------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | in accordance with the <i>RICS Valuation Professional Standard</i> | tenants Assumed vacancy levels Estimated rental growth Discount rate | |
| Unquoted Equity/Debt & Infrastructure | Level 3 | Comparable valuation of similar companies in accordance with <i>International Private Equity and Venture Capital Valuation Guidelines</i> (2018) | Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA) multiple Revenue multiple Discount for lack of marketability Control Premium | Valuations could be affected by material events occurring between the date of the Financial Statements provided and the Pension Fund's own reporting date, by changes to expected cashflows and by any differences between audited Accounts |

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

| | Quoted Market Price | Using Observable Inputs | With Significant Unobservable Inputs | |
|-------------------------------------------------------------------|---------------------------|-------------------------------|-----------------------------------------------|------------------|
| Values at 31 March 2024 - Restated | Level 1 | Level 2 | Level 3 | Total |
| | £'000 | £'000 | £'000 | £'000 |
| Financial Assets at Fair Value through Profit and Loss | 4,397,361* | | 1,307,336* | 5,704,697 |
| Non Financial Assets at Fair Value through Profit and Loss | | | 381,000 | 381,000 |
| Financial Liabilities at Fair Value through Profit and Loss | 0 | | | 0 |
| Net Investment Assets (Fair Value) | 4,397,361 | 0 | 1,688,336 | 6,085,697 |

*amended 23/24 table for comparability as Aviva and Insurance Buy In are now classified as Level 3.

Note 18b: Transfers between Levels

There were no transfers between levels 1 and 2.

However, in 2024/25, Insurance Buy in Contract of £122.379m (£127.0m at 31 March 2024) and investment with Aviva of £57.766m (£95.466m at 31 March 2024) were recategorised to Level 3 as inputs used to value these investments are not observable.

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

| | Market Value 31 March 2024 - Restated | Purchases during the year & Derivatives Payments | Sales during the year & Derivative Receipts | Realised Gains & Losses | Unrealised Gains & Losses (a) | Market Value 31 March 2025 |
|--------------------------------------|---------------------------------------------|-----------------------------------------------------------|---------------------------------------------------|----------------------------|----------------------------------|-------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| | | | | | | |
| Direct Property | 381,000 | 22,504 | (19,680) | 3,081 | (3,541) | 383,364 |
| Infrastructure – Limited Partnership | 550,257 | 13,334 | (22,658) | (12,303) | 1,616 | 530,246 |
| Private Equity | 500,290 | 49,380 | (55,578) | 30,086 | 7,494 | 531,672 |
| Private Debt | 129,789 | (39,365) | 0 | 0 | (6,441) | 83,983 |
| Insurance Buy In | 127,000 | (10,320) | 0 | 0 | 5,699 | 122,379 |
| | | | | | | |
| Total | 1,688,336 | 35,533 | (97,916) | 20,864 | 4,827 | 1,651,644 |

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

Bulk Annuity Insurance Buy In Contract

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

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

| | |
|----------------------------------------------------------------|----------------|
| | Total |
| | £'000 |
| Transfer from ACCTF of Insurance Buy In on 1 April 2024 | 127,000 |
| Level Pensions Paid by Insurer | (10,320) |
| Actuarial Revaluation | 5,699 |
| Closing Market Value as at 31 March 2025 | 122,379 |

Note 18d: Sensitivity of Assets Valued at Level 3

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

| | Assessed Valuation Range (+/-) | Value at 31 March 2025 | Value on Increase | Value on Decrease |
|--------------------------------------------|-----------------------------------------------|---------------------------------------|------------------------------|------------------------------|
| | | £'000 | £'000 | £'000 |
| Direct Property | 13% | 383,364 | 433,201 | 333,527 |
| Infrastructure – Limited Partnership | 26% | 530,246 | 660,601 | 399,892 |
| Private Equity | 13%/26% | 531,672 | 669,907 | 393,437 |
| Private Debt | 26% | 83,983 | 105,819 | 62,148 |
| Insurance Buy In | 26% | 122,379 | 154,198 | 90,560 |
| Total | | 1,651,644 | 2,023,726 | 1,279,564 |

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

| | | Valuation 31 March 2025 | Valuation Increase | Valuation Decrease |
|------------------------------|-------------------|------------------------------------|-------------------------------|-------------------------------|
| Change in Assumptions | Adjustment | £m | £m | £m |
| Discount Rate Adjustment | (-/+) 0.5% | 122 | 127 | 118 |
| Life Expectancy Adjustment | (+/-) 1 Year | 122 | 127 | 118 |

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

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

Note 19: Risk arising from Financial and Non-Financial Instruments

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

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

The Fund manages these investment risks as part of its overall Pension Fund Risk Management Strategy.

Responsibility for the Fund's Risk Management Strategy rests with the Pensions Committee. Risk management policies are established to identify and analyse the risks faced by the Fund. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Market Risk

Market risk is the risk of loss from fluctuations in equity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's Risk Management Strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical location, industry sectors and individual securities.

Specific risk exposure is limited by applying risk weighted maximum exposures to individual investments.

Other Price Risk – Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year and in consultation with the Fund's Investment Adviser, the Fund has determined that the following movements in market price risk are possible for the 2024/25 reporting period.

| Asset Type | Potential Market Movements (+/-) |
|--------------------------------------|----------------------------------|
| UK Bonds | 9% |
| Overseas Bonds | 9% |
| UK Equities | 16.1% |
| Overseas Equities | 20.5% |
| Pooled – Diversified Growth Fund | 12.5% |
| Infrastructure - Other | 13% |
| Infrastructure - Limited Partnership | 26% |
| Private Equity | 26% |
| Private Debt | 26% |
| Property | 13% |
| Cash | 2.0% |

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

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

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

| Asset Type | Value as at 31 March 2024 | % Change | Value on Increase | Value on Decrease |
|-----------------------------------------|---------------------------------|-------------|----------------------|----------------------|
| | £'000 | | £'000 | £'000 |
| UK Bonds | 342,867 | 7.5 | 368,582 | 317,152 |
| Overseas Bonds | 497,481 | 7.5 | 534,792 | 460,170 |
| UK Equities | 906,127 | 16.0 | 1,051,107 | 761,147 |
| Overseas Equities | 2,650,886 | 20.5 | 3,194,318 | 2,107,454 |
| Infrastructure - Other | 95,466 | 13.0 | 107,877 | 83,055 |
| Infrastructure - Limited Partnership | 454,683 | 26.0 | 572,901 | 336,465 |
| Private Equity | 500,286 | 26.0 | 630,360 | 370,211 |
| Private Debt | 129,789 | 26.0 | 163,534 | 96,043 |
| Total | 5,577,585 | | 6,623,471 | 4,531,697 |

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks which represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Fund in accordance with the Fund's Risk Management Strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest rate movements as at 31 March 2024 and 31 March 2025 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

| Asset Type | As at 31 March 2024 | As at 31 March 2025 |
|---------------------------|---------------------|---------------------|
| | £'000 | £'000 |
| Cash and Cash Equivalents | 178,809 | 438,301 |
| Cash Balances | 10 | 15 |
| Bonds | 840,348 | 1,111,451 |
| Total | 1,019,167 | 1,549,767 |

Interest Rate Risk Sensitivity Analysis

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

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

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

| Exposure to Interest Rate Risk | Asset Values as at 31 March 2024 | Impact | |
|--------------------------------|----------------------------------|------------------|------------------|
| | | + 1% | - 1% |
| | £'000 | £'000 | £'000 |
| Cash and Cash Equivalents | 178,809 | 180,597 | 177,021 |
| Cash Balances | 10 | 10 | 10 |
| Bonds | 840,348 | 848,751 | 831,945 |
| Total | 1,019,167 | 1,029,358 | 1,008,976 |

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

The Fund's currency rate risk is routinely monitored in accordance with the Fund's Risk Management Strategy, including monitoring the range of exposure to currency fluctuations.

The following table summarises the Fund's currency exposure as at 31 March 2025 and as at the previous year end:

| Assets Exposed to Currency Risk | Asset Value as at 31 March 2024 | Asset Value as at 31 March 2025 |
|----------------------------------------|--------------------------------------------|--------------------------------------------|
| | £'000 | £'000 |
| Overseas Quoted Securities | 966,194 | 781,579 |
| Overseas Unquoted Securities | 640,063 | 613,353 |
| Overseas Unit Trusts | 1,109,217 | 1,807,422 |
| Total Overseas Assets | 2,715,474 | 3,202,354 |

Currency Risk – Sensitivity Analysis

Following analysis of historical data in consultation with the Fund's investment advisers, the Fund considers the likely volatility associated with foreign exchange rate movements to be 10.4%.

This analysis assumes that all other variables, particularly interest rates, remain constant.

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

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

| Assets Exposed to Currency Risk | Asset Value as at 31 March 2024 | Potential Market Movement | |
|--------------------------------------------|--------------------------------------------|----------------------------------|------------------|
| | | +10.4% | -10.4% |
| | £'000 | £'000 | £'000 |
| Overseas Quoted Securities | 966,194 | 1,066,678 | 865,710 |
| Overseas Unquoted Securities | 640,063 | 706,630 | 573,496 |
| Overseas Unit Trust | 1,109,217 | 1,224,576 | 993,858 |
| Total | 2,715,474 | 2,997,884 | 2,433,064 |

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

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

Deposits made to the Aberdeen City Council (ACC) loans fund are administered within the City Council treasury policy.

The Fund believes it has managed its exposure to credit risk and has had no experience of default or uncollectable deposits. The Fund's cash holding at 31 March 2025 was £438,316,000 (31 March 2024 was £178,819,000). This was held with the following institutions as shown below:

| Summary | Rating | Balance as at 31 March 2024 | Balance as at 31 March 2025 |
|------------------------------|--------|--------------------------------|--------------------------------|
| | | £'000 | £'000 |
| | | | |
| Liquidity Funds | | | |
| HSBC Liquidity Funds | AA- | 115,566 | 396,765 |
| | | | |
| Bank Deposit Accounts | | | |
| ACC Loans Fund Deposit | N/A | 41,150 | 29,375 |
| HSBC | AA- | 22,093 | 12,161 |
| | | | |
| Subtotal | | 178,809 | 438,301 |
| | | | |
| Bank Current Accounts | | | |
| HSBC Bank | AA- | 0 | 0 |
| Virgin Money* | A- | 10 | 15 |
| | | 10 | 15 |
| | | | |
| Total | | 178,819 | 438,316 |

*Clydesdale Bank trading as Virgin Money.

Liquidity Risk

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

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2025 the value of illiquid assets was £1,471,500,571 which represented 23.6% of the Total Net Assets of the Fund (31 March 2024 £1,465,758,078 which represented 23.5% of the Total Net Assets of the Fund).

Note 20a: Long Term Assets

| | 31 March 2024 | 31 March 2025 |
|-------------------------------|----------------|----------------|
| | £'000 | £'000 |
| | | |
| Insurance Buy In Contract | 127,000 | 122,379 |
| Life Time Tax Allowance | 174 | 145 |
| | | |
| Total Long Term Assets | 127,174 | 122,524 |

Note 20b: Current Assets

| | 31 March 2024 | 31 March 2025 |
|------------------------------|---------------|---------------|
| | £'000 | £'000 |
| | | |
| Employees' Contributions due | 3,215 | 3,247 |
| Employers' Contributions due | 9,526 | 6,999 |
| Sundry Debtors | 3,856 | 4,087 |
| Subtotal | 16,597 | 14,333 |
| Bank | 10 | 15 |
| | | |
| Total Current Assets | 16,607 | 14,348 |

Note 20c: Current Liabilities

| | 31 March 2024 | 31 March 2025 |
|----------------------------------|---------------|---------------|
| | £'000 | £'000 |
| | | |
| Sundry Creditors | 28,154 | 28,916 |
| Benefits Payable | 8,113 | 9,544 |
| | | |
| Total Current Liabilities | 36,267 | 38,460 |

Note 21: Related Party Transactions

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

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

| | 31 March 2024 | 31 March 2025 |
|------------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Income: | | |
| Contributions Receivable | 43,031 | 30,646 |
| Loans Fund Interest | 5,234 | 1,329 |
| Excess Pensions | 2,522 | 2,632 |
| Strain on Fund | 2,426 | 1,692 |
| Expenditure: | | |
| Central Support Services | 2,267 | 2,270 |
| Accommodation – 2 Marischal Square | 387 | 392 |
| Debtors: | | |
| Contributions Due | 3,576 | 2,539 |
| Excess Pensions Due | 347 | 363 |
| Creditors: | | |
| Central Support Services Payable | 635 | 616 |
| Cash Balances: | | |
| ACC Loans Fund Deposit | 41,150 | 29,375 |

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

Note 22: Key Management Personnel

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

| | | Accrued Pension 2023/24 | Accrued Pension 2024/25 |
|------------------|-------------------------|------------------------------------|------------------------------------|
| | | £'000 | £'000 |
| Steven Whyte | Director of Resources | 56 | 0 |
| Andrew MacDonald | Director of Resources | 0 | 48 |
| Jonathan Belford | Chief Officer - Finance | 49 | 54 |

Steven Whyte retired from his position on 31/03/2024.

Governance

As at 31 March 2025, 7 members of the Pensions Committee and 8 members of the Pension Board were active members or pensioners of the North East Scotland Pension Fund.

Each member of the Pensions Committee and Pension Board is required to declare any financial and non-financial interest they have in the items of business for consideration at each meeting, identifying the relevant agenda items and the nature of their interest.

Conflicts of Interest are managed in accordance with the Conflicts of Interest Policy or Codes of Conduct for Councillors or Employees. A list of Declared Interests are disclosed in Appendix 3.

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

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

| 2023/24 | Income | | Debtors |
|--------------------------------|---------------------------------|------------------------|--------------------------|
| | Contributions Receivable | Excess Pensions | Contributions Due |
| | £'000 | £'000 | £'000 |
| Aberdeen Heat & Power | 57 | 0 | 0 |
| Aberdeen Performing Arts | 120 | 0 | 11 |
| Grampian Valuation Joint Board | 686 | 23 | 55 |
| NESS | 197 | 0 | 18 |
| Robert Gordon University | 7,533 | 57 | 619 |
| Sport Aberdeen | 244 | 0 | 0 |

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

Note 23: Contractual Commitments as at 31 March 2025

As at 31 March 2025 the NESPF had contractual commitment in respect of Private Equity/Debt and Global Real Estate portfolios. The undrawn commitments are outstanding call payments £405.992m (£430.249m 31 March 2024):

| | Contractual Commitments | Undrawn Commitments |
|---------------------------|--------------------------------|----------------------------|
| | £'000 | £'000 |
| HarbourVest | 625,455 | 223,842 |
| Partners Group | 84,525 | 17,473 |
| Maven (SLF) | 6,307 | 23 |
| Unigestion | 138,085 | 69,269 |
| AAM Residential Property | 30,000 | 467 |
| Hermes Infrastructure | 100,000 | 9,447 |
| Alcentra EDL | 83,688 | 27,610 |
| Hayfin DLF | 183,688 | 148,162 |
| Blackrock Renewable | 77,474 | 11,198 |
| Allianz Home Equity | 25,000 | 0 |
| IFM Global Infrastructure | 300,000 | 0 |
| Total | 1,654,222 | 507,491 |

Note 24: Additional Voluntary Contributions (AVC)

Additional Voluntary Contributions are not included in the Pension Fund's Accounts. Members of the North East Scotland Pension Fund are included in the following tables.

The amount of Additional Voluntary Contributions paid by members during the year is shown as income in the table below:

| 2023/24 | Income (AVCs Paid by Members) | 2024/25 |
|----------------|--------------------------------------|----------------|
| £'000 | | £'000 |
| | | |
| 9 | Standard Life | 10 |
| 4,465 | Prudential | 5,955 |

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

| Market Value | Additional Voluntary Contributions | Market Value |
|----------------------|-------------------------------------------|----------------------|
| 31 March 2024 | | 31 March 2025 |
| £'000 | | £'000 |
| | | |
| 983 | Standard Life | 810 |
| 27,254 | Prudential | 24,161 |

Note 25: Contingent Assets/Liabilities

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

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

NESPF was the lead plaintiff in the Under Armour Class Action. The Class Action was regarding potential securities fraud. A settlement of \$434m (£336m) has been reached, which is subject to definitive documentation and final court approval.

Note 26: Impairment for Bad and Doubtful Debts

The risk of employers being unable to meet their pension obligations is managed through the NESPF Termination Policy and the NESPF Employer Covenant Assessment Policy which are embedded within the Funding Strategy Statement. During 2024/25 four admission bodies exited from the Fund. All four were a managed exit. One Scheduled body transferred out of the scheme as a result of consolidating their liabilities into one administering authority with a payment made to the new Fund that represented the level of assets held for that employer at the date of transfer. Following these termination events, the assets and liabilities for each employer were assessed by the Scheme Actuary. The Actuary's assessment is to determine the funding level and the deficit or surplus held at the date of exit, in accordance with the regulations. The Fund paid exit credits to four of the exiting employers as a surplus was identified upon exit. Termination certificates, signed by the Scheme Actuary, were issued to the employers to confirm that the liabilities had been discharged.

Note 27: Investment Principles

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

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

Note 28: Critical Judgements in applying Accounting Policies

Assumptions made about the future and other major sources of estimation uncertainty.

The items in the Net Assets Statement as at 31 March 2025 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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

Note 29: Events after the Balance Sheet Date

The Unaudited Statement of Accounts was authorised for issue by the Chief Officer – Finance on 20 June 2025. Events taking place after this date are not reflected in the Annual Accounts or Notes. Where events taking place before this date provided information about conditions existing at 31 March 2025, the figures in the Annual Accounts and Notes have been adjusted in all material respects to reflect the impact of this information. No such adjustments have been required.

Note 30: Agency Arrangement for Administering Compensatory ‘Added’ Years

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

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

| | 2023/24 | 2024/25 |
|------------------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| | | |
| Cost incurred/(recovered) on behalf of: | | |
| | | |
| Aberdeen City Council | 2,522 | 2,632 |
| Aberdeenshire Council | 1,442 | 1,483 |
| Moray Council | 730 | 738 |
| Scottish Water | 1,390 | 1,460 |
| Other | 297 | 287 |
| | | |
| Total | 6,381 | 6,600 |

| | 2023/24 | 2024/25 |
|--------------------------------|----------|----------|
| | % | % |
| | | |
| Associated Payroll Cost | 4 | 4 |

Independent Auditor's Report

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual report of North East Scotland Pension Fund (the fund) for the year ended 31 March 2025 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Fund Account, the Net Assets Statement and notes to the financial statements, including a summary of material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the 2024/25 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the financial transactions of the fund during the year ended 31 March 2025 and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2024/25 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 3 April 2023. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council as administering authority for the fund. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

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

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

Risks of material misstatement

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Reporting on other requirements

Other information

The Chief Officer - Finance is responsible for the other information in the annual report. The other information comprises the Management Commentary, Annual Governance Statement, Governance Compliance Statement, Statement of Responsibilities and other reports included in the annual report other than the financial statements and my auditor's report thereon.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material

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

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

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

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

the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003;

the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016): and

the information given in the Governance Compliance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with The Local Government Pension Scheme (Scotland) Regulations 2018.

Matters on which I am required to report by exception

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

adequate accounting records have not been kept; or

the financial statements are not in agreement with the accounting records; or

I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to

have responsibilities to members or officers, in their individual capacities, or to third parties.

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

12 September 2025

Appendix 1 – Statement by the Consulting Actuary

North East Scotland Pension Fund (“the Fund”) Actuarial Statement for 2024/25

This statement has been prepared in accordance with Regulation 55(1)(d) of the Local Government Pension Scheme (Scotland) Regulations 2018. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority’s Funding Strategy (FSS), dated March 2024. In summary, the key funding principles are as follows:

- To establish a clear and transparent fund-specific strategy which will identify how employers’ pension liabilities are best met going forward by taking a prudent longer term view of funding those liabilities
- To establish contributions at a level to “secure the solvency” of the pension fund and the “long term cost efficiency”
- To have regard to the desirability of maintaining as nearly constant a Primary rate of contribution as possible.

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

The FSS outlines the procedure for establishing the recovery plan for each employer in the Fund. At the 2023 valuation, the weighted average recovery period was 13 years. The secondary rate for 2023-26 (ie the surplus offset) was an average of 6.2% of payroll per annum.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 60 of the Local Government Pension Scheme (Scotland) Regulations 2014 was as at 31 March 2023. This valuation revealed that the Fund's assets, which at 31 March 2023 were valued at £5,804 million, were sufficient to meet 126% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2023 valuation was £1,190 million.

Each employer had contribution requirements set at the valuation. Individual employers' contributions for the period 1 April 2024 to 31 March 2027 were set in accordance with the Fund's funding policy as set out in its FSS

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2023 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth and inflation to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2023 valuation were as follows:

| Financial assumptions (% p.a.) | For past service liabilities | For future service liabilities |
|---------------------------------------|-------------------------------------|---------------------------------------|
| Discount rate | 4.60% | 4.10% |
| Salary increase assumption | 4.10% | 4.10% |
| Benefit increase assumption (CPI) | 2.60% | 2.60% |

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

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

*Currently aged 45

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

Experience over the period since 31 March 2023

Markets reflected wider volatility during 2023, impacting on investment returns achieved by the Fund's assets. However, asset performance improved in 2024 and early 2025. The recent increase in US tariffs on imports has caused significant market volatility. The peak of this market volatility was experienced immediately after 31 March 2025, however generally lower than expected asset returns were experienced in the month immediately prior to this.

Continued high levels of inflation in the UK also resulted in a higher than expected LGPS benefit increase of 6.7% in April 2024. However, inflation has begun to return towards historical levels and the Bank of England's target (2% pa), with LGPS benefit increases lowering to 1.7% in April 2025. Overall, the funding level of the Fund is likely to be slightly higher than reported at the previous formal valuation at 31 March 2023.

The next actuarial valuation will be carried out as at 31 March 2026. The Funding Strategy Statement will also be reviewed at that time.

Prepared by:-

Greer Flanagan FFA C.Act

15 May 2025

For and on Behalf of Hymans Robertson LLP

Appendix 1a – Additional Considerations

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2024/25 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the North East Scotland Pension Fund (“the Fund”).

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

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

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

Present value of promised retirement benefits

| Year ended | 31 March 2025 | 31 March 2024 |
|-----------------------|---------------|---------------|
| Active members (£m) | 1,651 | 1,779 |
| Deferred members (£m) | 693 | 820 |
| Pensioners (£m) | 1,845 | 2,107 |
| Total (£m) | 4,189 | 4,706 |

The promised retirement benefits at 31 March 2025 have been projected using a roll

forward approximation from the latest formal funding valuation as at 31 March 2023. I have not been provided with an exact split of the £4,706m promised retirement benefits by membership class at 31 March 2024 (as calculated by the previous Actuarial Advisor). As such, I have estimated this using information from the most recent triennial funding valuation.

The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable at 31 March 2025. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

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

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

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2025 and 31 March 2024. I estimate that the impact of the change in financial assumptions to 31 March 2025 is to decrease the actuarial present value by £699m. I estimate that the impact of the change in demographic assumptions is to increase the actuarial present value by £66m.

Financial Assumptions

| Year ended | 31 March 2025 | 31 March 2024 |
|-----------------------------|---------------|---------------|
| | % p.a. | % p.a. |
| Pension Increase Rate (CPI) | 2.75% | 2.80% |
| Salary Increase Rate | 4.25% | 4.20% |
| Discount Rate | 5.80% | 4.90% |

Demographic assumptions

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

Life expectancy is based on the S3PA tables (with appropriate weighting), with improvements in line with the CMI 2023 model, with a 15% weighting of 2023 (and 2022) data, 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

| | Males | Females |
|------------------------------------------------------------------------|------------|------------|
| Current pensioners | 20.9 years | 23.3 years |
| Future pensioners (assumed to be aged 45 at the latest valuation date) | 22.2 years | 25.1 years |

All other demographic assumptions have been updated since last year and are as per the latest funding valuation of the Fund. For details of the mortality table weightings and other demographic assumptions used, please refer to the formal 31 March 2023 valuation report.

Sensitivity Analysis

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

| Change in assumption at 31 March 2025 | Approximate % increase to promised retirement benefits | Approximate monetary amount (£m) |
|-------------------------------------------------|--------------------------------------------------------|----------------------------------|
| 0.1% p.a. decrease in the Discount Rate | 2% | 67 |
| 1 year increase in member life expectancy | 4% | 168 |
| 0.1% p.a. increase in the Salary Increase Rate | 0% | 4 |
| 0.1% p.a. increase in the Rate of CPI Inflation | 1% | 63 |

Professional notes

This paper accompanies the 'Accounting Covering Report – 31 March 2025' which identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-

Adrian Loughlin FFA C.Act

16 May 2025

For and on Behalf of Hymans Robertson LLP

Appendix 2 – Schedule of Employers

North East Scotland Pension Fund

| | Employers as at 31 March 2024 | New Admissions | Ceased | Employers as at 31 March 2025 |
|---------------------|-------------------------------------|-------------------|------------|-------------------------------------|
| Scheduled Bodies | 10 | 0 | (1) | 9 |
| Admission Bodies | 31 | 0 | (4) | 27 |
| Total | 41 | 0 | (5) | 36 |

Ceased during 2024/25

| | |
|-------------------------------------------|-----------|
| 1. Scottish Fire and Rescue* | Scheduled |
| 2. HomeStart NEA | Admitted |
| 3. Sanctuary Scotland Housing Association | Admitted |
| 4. SCARF | Admitted |
| 5. Xerox (UK) Ltd | Admitted |

Participating Employers as at 31 March 2025

| | |
|------------------------------------------------------|-----------|
| 1. Aberdeen City Council | Scheduled |
| 2. Aberdeenshire Council | Scheduled |
| 3. Grampian Valuation Joint Board | Scheduled |
| 4. Moray College | Scheduled |
| 5. Moray Council | Scheduled |
| 6. NESTRANS | Scheduled |
| 7. North East Scotland College | Scheduled |
| 8. Scottish Police Authority | Scheduled |
| 9. Scottish Water | Scheduled |
| 10. Aberdeen Endowments Trust | Admitted |
| 11. Aberdeen Foyer | Admitted |
| 12. Aberdeen Heat & Power Ltd | Admitted |
| 13. Aberdeen Performing Arts | Admitted |
| 14. Aberdeen Sports Village | Admitted |
| 15. Alcohol and Drugs Action | Admitted |
| 16. Bon Accord Care Ltd | Admitted |
| 17. Bon Accord Support Services Ltd | Admitted |
| 18. Community Integrated Care (Inspire Legacy Staff) | Admitted |
| 19. Fersands and Fountain Community Project | Admitted |
| 20. Forth and Oban Ltd | Admitted |
| 21. Fraserburgh Harbour Commissioners | Admitted |

22. HomeStart Aberdeen
Admitted

Admitted

| | |
|----------------------------------------------|----------|
| 23. Idverde UK | Admitted |
| 24. Mental Health Aberdeen | Admitted |
| 25. North East Sensory Services | Admitted |
| 26. Outdoor Access Trust for Scotland | Admitted |
| 27. Pathways | Admitted |
| 28. Peterhead Port Authority | Admitted |
| 29. Printfield Community Project | Admitted |
| 30. Robert Gordon's College | Admitted |
| 31. Robert Gordon University | Admitted |
| 32. Robertsons Facilities Management (City) | Admitted |
| 33. Robertsons Facilities Management (Shire) | Admitted |
| 34. Scottish Lighthouse Museum | Admitted |
| 35. Sport Aberdeen | Admitted |
| 36. Station House Media Unit | Admitted |

*Scottish Fire and Rescue transferred their assets and liabilities held with the NESPF to Strathclyde Pension Fund with effect from 31 October 2024

Appendix 3 – Declared Interests

In 2024/25 Members/Key Management Personnel had disclosed an interest that is included within the following list:

Aberdeen Council for Voluntary Organisations
Association of Public Service Excellence (APSE)
Aberdeen Agency
Aberdeen Airport Consultative Committee
Aberdeen Bulawayo trust
Aberdeen City Council
Aberdeen City Heritage Trust
Aberdeen Civil Service Curling Club
Aberdeen Endowments Trust
Aberdeen Football Club
Aberdeen Gornel Trust
Aberdeen Heat and Power
Aberdeen Lads Club
Aberdeen Outdoor Access Forum
Aberdeen Performing Arts
Aberdeen Science Centre
Aberdeen Sports Village
Aberdeen Water Safety Group
Aberdeenshire Council
AREG
BAE Systems
Bridge of Don Thistle Football Club
Bridge of Don Thistle Juniors Football Club
Champions Board
Chris Anderson Trust
Carbon Reduction Analysts Ltd
Care and Repair Initiative Scotland
Conservation Area Regeneration Scheme Project
COSLA Health and Social Care Board
Cruden Bay Golf Club
East Grampian Coastal Partnership
Enquest Britain Limited
Etion
Fersands Area Forum
FirstGroup PLC
Friends of the Gordon Highlanders Museum
George, James and Alexander Chalmers Trust
Glover House Trust
GMB
Gordon Highlanders Advisory Group
Grampian Valuation Joint Board
Grampian Houston Association
Grampian Regional Equality Council
Grampian Valuation Joint Board

Granite City Speakers Club
Highland Reserve Forces and Cadets Association
Historic Scotland
Hopeville Social Club
Institute of Chartered Accountants Scotland
Joint Valuation Board
Kellas Midstream Ltd
Lloyds Banking Group PLC
LLP Board
Longhaven District Hall Association
Longhaven Social Club
MacDonald Art Committee
Mennico Ltd
Mitchell Hospital
Modern Money Scotland
Moray Council
NESS
NESTRANS
North East Agricultural Committee
North East Agriculture Advisory Committee
North East Scotland College
North East Scotland Fisheries Development Partnership
Northern Roads Collaboration Joint Committee
Oakbank School
Printfield
Printfield Community Project
Proctor Orphanage Trust
Punk Anatomist Personal Training and Yoga
Robb's Trust
Robert Gordon University Aberdeen
Royal Society for Public Health
Rubislaw Field Committee
SAGA PLC
Santander PLC
Scotch Malt Whisky Society
Scotland Excel Joint Committee
Scotonomics Podcast Youtube Show
Scottish National Party
Seven Incorporated Trades - Shoe Makers
SNP
Sport Aberdeen
SSE PLC
St Johns Scotland
The Integration Joint Board
The Royal Environment Health Institute
The Vestry
UCATT
UHI Foundation
UNISON
UNITE
Veteran Champions

William Harvey Trust
Woodside Neighbourhood Community Planning and Re-generation Network
World Energy Cities Partnership

Appendix 4 – IAS16 Note to Account

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

| Year | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 | Total |
|--------------|-----------|-----------|-----------|-----------|---------------------|
| 1 | 71,647.50 | 71,647.50 | 71,647.50 | 71,647.50 | 286,590.00 |
| 2 | 71,647.50 | 71,647.50 | 71,647.50 | 71,647.50 | 286,590.00 |
| 3 | 71,647.50 | 71,647.50 | 71,647.50 | 71,647.50 | 286,590.00 |
| 4 | 71,647.50 | 71,647.50 | 71,647.50 | 71,647.50 | 286,590.00 |
| 5 | 71,647.50 | 71,647.50 | 71,647.50 | 71,647.50 | 286,590.00 |
| 6 | 75,229.88 | 75,229.88 | 75,229.88 | 75,229.88 | 300,919.52 |
| 7 | 75,229.88 | 75,229.88 | 75,229.88 | 75,229.88 | 300,919.52 |
| 8 | 75,229.88 | 75,229.88 | 75,229.88 | 75,229.88 | 300,919.52 |
| 9 | 75,229.88 | 75,229.88 | 75,229.88 | 75,229.88 | 300,919.52 |
| 10 | 75,229.88 | 75,229.88 | 75,229.88 | 75,229.88 | 300,919.52 |
| 11 | 78,991.37 | 78,991.37 | 78,991.37 | 78,991.37 | 315,965.48 |
| 12 | 78,991.37 | 78,991.37 | 78,991.37 | 78,991.37 | 315,965.48 |
| 13 | 78,991.37 | 78,991.37 | 78,991.37 | 78,991.37 | 315,965.48 |
| 14 | 78,991.37 | 78,991.37 | 78,991.37 | 78,991.37 | 315,965.48 |
| 15 | 78,991.37 | 78,991.37 | 78,991.37 | 78,991.37 | 315,965.48 |
| Total | | | | | 4,517,375.00 |

Notes:

Lease Starts 01/07/2020

Increase of at least 5% after year 5

Increase of at least 5% after year 10

Lease ends 30/06/2035

ABERDEEN CITY COUNCIL

| | |
|---------------------------|--------------------------------|
| COMMITTEE | Pensions Committee |
| DATE | 12 September 2025 |
| EXEMPT | No |
| CONFIDENTIAL | No |
| REPORT TITLE | Strategy |
| REPORT NUMBER | PC/SEPT25/STRAT |
| EXECUTIVE DIRECTOR | Andy MacDonald |
| CHIEF OFFICER | Jonathan Belford |
| REPORT AUTHOR | Laura Colliss and 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 (August 2025)

| 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 3 rd June 2025. |
| 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 (August 2025)
Appendix II, PAS Report
Appendix III, Pension Board Annual Report 2024/25

12. REPORT AUTHOR CONTACT DETAILS

| | |
|----------------------|------------------------------------------------------------------------------------------------------------------------------------|
| Name | Laura Colliss Mairi Suttie |
| Title | Pensions Manager Governance & Communication Manager |
| Email Address | LColliss@nespf.org.uk MSuttie@nespf.org.uk |

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North East Scotland Pension Fund

nespf

Strategy Report

Quarterly Reporting September 2025

1. Background

1.1 Quarterly Report to September 2025

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

Separate report, provided

4. Benefit Administration

4.1 Pension Fund Annual Benefit Statements

The North East Scotland Pension Fund has a statutory requirement to issue all active and deferred members with annual benefit statement information by 31st August each year.

In line with our continual progression towards improved digital communication, both active and deferred statements were, once again, issued online in 2024/25. 2023 saw the launch of the new Member Self Service (My Pension+) platform for members, an upgrade on the previous version and a large undertaking for NESPF staff.

Statements are no longer posted out to members unless they contact the Fund and “opt in” to continue to receive them in paper form. To meet disclosure requirements, letters are sent out to members to provide “activation keys” where a member is not already registered with My Pension+. Registered members receive an email notification advising them that their annual statement is available to view online.

This year, Benefit Statements were issued via My Pension+ to Deferred members and accessed on the new Annual Benefit Statement page, which includes a personalised AI video explaining their benefits. Letters were issued to unregistered members on 25th July, with emails for all members to whom we hold valid email addresses issued towards the end of August. Paper statements were issued on 13th August.

The Pensions Committee last approved a Data Quality Improvement Plan in December 2024 (PC/DEC24/STRAT) which included address tracing. In line with the plan, a bulk tracing exercise for all “gone away” members i.e. those whom we do not hold a current address for is carried out every three years using an external tracing provider. The last tracing exercise was carried out by Target (as approved by the Pensions Committee in December 2021). A further exercise is planned for 2025/26, an update will be taken to Committee in December 2025.

In addition, a mortality check is carried out against “gone away’s” annually using the National Fraud Initiative and ATMOS Data Services on alternative years to identify any deceased members. For “gone away” deferred members reaching age 55, an individual trace will be carried out through the DWP Tracing Service.

A final update on the active member statements, and project as a whole, will be provided to the next meeting. However, letters were posted to unregistered members on 6th August and email notifications are scheduled to be issued towards the end of August for all members for whom we hold valid email addresses. Paper statements for those who have requested them will be issued on 20th August.

4.2 Regulatory Updates

Amendments to the Local Government Pension Scheme (Scotland) Regulations 2018

The Scottish Public Pensions Agency (SPPA) are planning to consult on amending the Local Government Pension Scheme (Scotland) Regulations 2018 later this year. Changes include:

- Neonatal Care Leave and Pay (Consequential Amendments to Subordinate Legislation) Regulations 2015. This change entitles employed parents the right to paid leave where their child is admitted to neonatal care starting within 28 days of birth and goes on to spend seven or more continuous days in care. This new entitlement would apply to children born on or after 6th April 2025.
- “Normal Minimum Pension Age” (NMPA) from age 55 to 57 from 6 April 2028 to align with the Finance Act 2022. There are some protections in place for transition members, which will allow some individuals to retain the right to take their benefits at age 55. The protected pension age in the Local Government Pension Scheme (LGPS), which is the right to take benefits before NMPA, will be considered.
- Inheritance Tax, the Chancellor announced in the 2024 Budget that unused pension funds and death benefits will be included in a member’s estate for inheritance tax purposes from 6 April 2027. Currently unused pension funds and death benefits from discretionary schemes do not form part of an individual’s estate and are not chargeable to Inheritance Tax. As a result of these changes there may be a requirement for refreshed guidance for Funds.

SPPA have considered the amendments being proposed in the Ministry of Housing, Communities and Local Government (MHCLG) Access & Fairness consultation, and plan to consult in late summer on the changes relevant to Scotland regarding gender pension gap reporting, opt outs, death benefits and forfeiture.

Technical amendments highlighted by pension fund administrators and minor McCloud Remedy amendments. These include changes to the 5 year refund limit, pension commencement lump sums and continuity of service between Scotland and NI LGPS.

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.

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

- *Appointment of Advisers (minor amendments to remove reference to Head of Commercial and Procurement, update to officers with access to Amelior, minor corrections to improve clarity)*
- *Governance Compliance Statement (minor corrections for typo's and grammar, amended Terms of Reference review date)*

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

6.3 Pension Board Annual Report

The Pension Board Annual Report 2024/25 was agreed by the Pension Board members at their meeting on 20th June 2025. As part of the process, members were required to nominate and appoint a new Chair and Vice Chair for 2025/26. These posts need to be rotated annually under the Regulations. Mr Alan Walker (Member) was appointed as Chair with Councillor David Gordon (Employer) as Vice Chair.

Appendix III, Pension Board Annual Report 2024/25

7. Employer Relationship

7.1 Employer Updates

Mental Health Aberdeen

MHA made the difficult decision to close their doors permanently and enter into liquidation from 24 July 2025. Unfortunately, NESPF were not made aware of the pressures they were facing in advance of the public announcement.

As a result of this decision, MHA will terminate as a participating employer with the active members getting immediate access to their pension benefits where the regulations allow and deferred benefits for those that do not meet the age and service requirements. Discussions are underway with the liquidator around member benefits, contributions and liabilities.

Robert Gordons College

Having carried out a consultation with staff, RGC have made the decision to exit from the Scheme and offer alternative pension arrangements for all active members.

The actual date of exit has not been finalised but is expected to be in August 2025. Officers will work with RGC and the Scheme actuary to calculate the value of liabilities upon exit and arrange for payment of any exit credit once everything has been agreed.

7.2 McCloud Determination

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 | | 1 | 2 | 3 | 4 | 5 | 6 |
| | Likelihood | Almost Impossible | Very Low | Low | Significant | High | Very High |

Current Heat Map (where risks NESPF001 through 029 fall)

| | | | | | | | |
|--------|--------------|-------------------|----------|-----|-------------|------|-----------|
| 4 | Very Serious | | | | | | |
| 3 | Serious | | | | | | |
| 2 | Marginal | | | | | | |
| 1 | Negligible | | | | | | |
| Impact | | 1 | 2 | 3 | 4 | 5 | 6 |
| | Likelihood | Almost Impossible | Very Low | Low | Significant | High | Very High |

- 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)

2025 Update: August 2025

| Code | Risk Description | Mitigating Controls | Current Risk | | | | Approach | Additional Actions/Latest Notes | Owner & Timescale |
|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|------------|-------|----------|----------|------------------------------------------------------------------------|-------------------|
| | | | Impact | Likelihood | Score | Movement | | | |
| Pension Fund Level | | | | | | | | | |
| NESPFO01 | Risk: Lack of effective risk controls | <ul style="list-style-type: none">NESPF risk register is reviewed and updated quarterly by senior management teamConsideration by Pensions Committee & Board at quarterly meetingsNESPF specific Risk Management Policy in place and reviewed annually | 4 | 1 | 4 | ↔ | TREAT | | Ongoing |
| | Causes: Failure to implement risk management framework | | | | | | | | |
| | Potential Impact: Operational, financial and reputational issues | | | | | | | | |
| NESPFO02 | Risk: Poor Governance | <ul style="list-style-type: none">Annual review of Funds Governance Compliance Statement and supporting policies and proceduresAdherence to Council’s Scheme of GovernanceCommittee Effectiveness Service Update to support good governance | 3 | 2 | 6 | ↔ | TREAT | ACC Scheme of Governance annual review approved by Council April 2025. | Ongoing |
| | 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 | | | | | | | | |
| NESPFO03 | Risk: Lack of performance measures | <ul style="list-style-type: none">Statutory and local KPI’sPension Administration Strategy published quarterlyInvestment performance (against benchmark) | 3 | 2 | 6 | ↔ | TREAT | PAS reporting review underway. | M Suttie, Dec’25 |
| | Causes: Failure to develop performance reporting framework | | | | | | | | |
| | Potential Impact: Lack of transparency, poor | | | | | | | | |

| 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 | | | | | | | |
| NESPFO04 | Risk: Failure of Pensions Committee and Pension Board to operate effectively | <ul style="list-style-type: none"> 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 | Pension Board Annual Report and Training Policy approved June 2025. 2 long term Committee vacancies and now 1 vacancy x Independent. Risk score has been increased. | Ongoing |
| | 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 | | | | | | | | |
| NESPFO05 | Risk: Operational Disaster; unable to access the workplace | <ul style="list-style-type: none"> ACC Disaster Recovery policy in place NESPF Business Continuity Plan to address loss/disruption to benefit administration system | 3 | 2 | 6 | ↔ | TOLERATE | Disaster Recovery Testing ongoing. | Ongoing |
| | Causes: Major incident, natural disaster | | | | | | | | |
| | Potential Impact: Loss of service delivery, staff downtime | | | | | | | | |
| NESPFO06 | Risk: Failure to recruit, retain and develop staff | <ul style="list-style-type: none"> All staff have individual development plans, reviewed regularly through CR&D Training register to monitor | 3 | 2 | 6 | ↔ | TREAT | Operational Effectiveness report by Hymans. Structure review ongoing, reviewing existing and anticipating future | Ongoing |
| | Causes: Limited pool of resources/competition with private sector, lack of training/development opportunities, resource drain from wider priorities | | | | | | | | |

| Code | Risk Description | Mitigating Controls | Current Risk | | | | Approach | Additional Actions/Latest Notes | Owner & Timescale |
|---------|----------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|------------|-------|----------|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| | | | Impact | Likelihood | Score | Movement | | | |
| | Potential Impact: Loss of service delivery, risk to succession planning | <ul style="list-style-type: none"> 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 | | | | | | <p>requirements of the Fund, with particular focus on retention of key staff and succession planning.</p> <p>New TEC Module to assist staff training within Altair implemented May'25.</p> | |
| NESP007 | Risk: Pay and price inflation valuation assumptions either higher or lower | <ul style="list-style-type: none"> Quarterly funding updates to Committee (using PFaroe) Tri-ennial valuation Individual employer contribution rates | 2 | 3 | 6 | ↔ | TOLERATE | Healthy funding position, prudent assumptions in 2023 valuation led to decreased risk score at last review. | Ongoing |
| | Causes: Economic factors | | | | | | | | |
| | Potential Impact: Potential increase in employer contribution rates and liabilities | | | | | | | | |
| NESP008 | Risk: Over reliance on services provided by the Administering Authority (e.g. HR, Payroll, Legal, IT) | <ul style="list-style-type: none"> Internal controls including policies and procedures Pensions Administration Strategy in place Communication between Pensions | 4 | 4 | 16 | ↔ | TREAT | <p>Operating Model review by Hymans ongoing.</p> <p>Initial conversations have taken place with the wider council</p> | Ongoing |
| | Causes: VS/ER exercise leading to loss of knowledge and expertise, recruitment freeze, poor service provision, cost constraints | | | | | | | | |

| 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 | | | | | | clusters to progress review. Recent IT issues caused significant disruption to April payslip delivery and payment authorisation. Although these specific issues were resolved, we continue to experience operational issues. | |
| 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 | <ul style="list-style-type: none"> 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 | 3 | 2 | 6 | ↔ | TREAT | Six monthly compliance review completed Jun'25 including review against TPR's General Code. Work underway to ensure compliance with National Pensions Dashboard requirements. | Ongoing |

Last Update: August 2024

| Code | Risk Description | Mitigating Controls | Current Risk | | | | Approach | Additional Actions/Latest Notes | Owner & Timescale |
|------------------------|----------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|------------|-------|----------|----------|---------------------------------------------------------------------------------------|-------------------|
| | | | Impact | Likelihood | Score | Movement | | | |
| | | <ul style="list-style-type: none"> Regular benefit admin team meetings to share knowledge Participations in consultations | | | | | | Wider central Government pensions reform progressing and Scottish Elections in 2026. | |
| NESPFO10 | Risk: Failure to comply with FOI or SAR requests | <ul style="list-style-type: none"> Internal written procedures in place FOI/SAR log to record & monitor Online process through GovServices | 3 | 1 | 3 | ↔ | TREAT | | Ongoing |
| | Causes: Missed statutory deadlines due to training or resource issues | | | | | | | | |
| | Potential Impact: Audit criticism, legal challenge, reputational risk | | | | | | | | |
| NESPFO11 | Risk: Conflicts of Interest | <ul style="list-style-type: none"> 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 | Updated COI Policy to Committee meeting Dec’24. | Ongoing |
| | Causes: Competing professional and personal interests of staff, Committee and Board members | | | | | | | | |
| | Potential Impact: Audit criticism, legal challenge, reputational risk | | | | | | | | |
| Benefit Administration | | | | | | | | | |
| NESPFO12 | Risk: Fraud/Negligence | <ul style="list-style-type: none"> Segregation of duties for benefits staff authorising/submitting lump sum payments | 3 | 2 | 6 | ↔ | TREAT | Internal Audit Pension Fund Payroll and participation in NFI exercise completed 2025. | Ongoing |
| | Causes: Dishonesty or human error by staff, scheme members | | | | | | | | |
| | Potential Impact: Overpayment/unauthorised | | | | | | | | |

| Code | Risk Description | Mitigating Controls | Current Risk | | | | Approach | Additional Actions/Latest Notes | Owner & Timescale |
|--------------------|--------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|------------|-------|----------|--------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| | | | Impact | Likelihood | Score | Movement | | | |
| | payments, system corruption, audit criticism, legal challenge, reputational risk | <ul style="list-style-type: none"> Pension payments signed off by benefits senior Enhanced Admin to Pay and Arrears Modules to provide calculation checks Participation in National Fraud Initiative exercise Overseas pensioner existence checking Breaches Policy & register Internal Audit control reviews | | | | | | | |
| Investments | | | | | | | | | |
| NESPFO13 | Risk: Insufficient assets to meet the Funds long term liabilities | <ul style="list-style-type: none"> 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 | Tri-ennial valuation process completed, Fund in very healthy position (126% funded) and valuation approach continues to ensure high level of prudence. Investment strategy approved at June'24 meeting. | Ongoing |
| | 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 | | | | | | | | |
| NESPFO14 | Risk: Failure to monitor investment managers and assets | | 3 | 2 | 6 | ↔ | TREAT | | Ongoing |

| Code | Risk Description | Mitigating Controls | Current Risk | | | | Approach | Additional Actions/Latest Notes | Owner & Timescale |
|----------|----------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|------------|-------|----------|----------|------------------------------------------------------------------------------------------------------------------|-------------------|
| | | | Impact | Likelihood | Score | Movement | | | |
| | Causes: Lack of internal procedures Potential Impact: Audit criticism, legal challenge, reputational risk | <ul style="list-style-type: none"> Quarterly assessment and reporting of asset performance Regular meetings with investment managers | | | | | | | |
| NESPFO15 | Risk: Failure of world stock markets | <ul style="list-style-type: none"> Diversification of Scheme assets Tri-ennial valuation and investment strategy review | 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 |
| | Causes: Systemic | | | | | | | | |
| | Potential Impact: Increase in employer contribution rates, financial loss | | | | | | | | |
| NESPFO16 | Risk: Negligence/Fraud/Default | <ul style="list-style-type: none"> Due diligence on appointment and appropriate clause in legal agreements Fund management monitoring SAS 70 reports | 2 | 1 | 2 | ↔ | TOLERATE | | Ongoing |
| | Causes: Dishonesty by fund managers, lack of care or human error | | | | | | | | |
| | Potential Impact: Financial loss, reputational damage | | | | | | | | |
| NESPFO17 | Risk: Failure of Global Custodian | <ul style="list-style-type: none"> Regular meeting with custodian Service Level Agreement in place Receipt of SAS 70 reports and monitoring | 4 | 2 | 8 | ↔ | TOLERATE | Global Custodian tender process underway. | Ongoing |
| | Causes: Financial market crisis, regulatory/political | | | | | | | | |
| | Potential Impact: Loss of assets or control of assets | | | | | | | | |
| NESPFO18 | Risk: Failure to implement ESG policy | <ul style="list-style-type: none"> Member training on roles and fiduciary duties Policy incorporated within SIP | 3 | 2 | 6 | ↔ | TREAT | | Ongoing |
| | Causes: Lack of skills/knowledge, lack of transparency on practices or clear policy | | | | | | | | |

| Last Update: August 2021 | | | | | | | | | |
|--------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|------------|-------|----------|----------|----------------------------------------------------------------|-------------------|
| Code | Risk Description | Mitigating Controls | Current Risk | | | | Approach | Additional Actions/Latest Notes | Owner & Timescale |
| | | | Impact | Likelihood | Score | Movement | | | |
| | Potential Impact: Reputational damage | <ul style="list-style-type: none">PRI membership, annual signatory assessmentMonitor impact of climate changeAdoption of TCFDQuarterly reporting to Committee/Board on voting, carbon footprinting and engagement work.Risk assessments with Fund Managers and Investment Consultant including Climate Scenario Analysis | | | | | | | |
| Accounting | | | | | | | | | |
| NESPFO19 | Risk: Poor financial reporting | <ul style="list-style-type: none">Comprehensive policies and procedures in place and review of <i>the Code</i>Attending CIPFA meeting and reviewsRegular reconciliations e.g. fund managers, custodianInternal/External Audits | 3 | 2 | 6 | ↔ | TREAT | Draft unaudited annual accounts approved at June 2025 meeting. | Ongoing |
| | 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 | | | | | | | | |
| Systems | | | | | | | | | |
| NESPFO20 | Risk: Failure to secure and manage personal data in line | | 4 | 2 | 8 | ↔ | TREAT | | Ongoing |

| Code | Risk Description | Mitigating Controls | Current Risk | | | | Approach | Additional Actions/Latest Notes | Owner & Timescale |
|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|------------|-------|----------|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| | | | Impact | Likelihood | Score | Movement | | | |
| | <p>with data protection requirements</p> <p>Causes: Cyber-attack, human processing error</p> <p>Potential Impact: Audit criticism, legal challenge, reputational risk, financial penalties</p> | <ul style="list-style-type: none"> Annual information governance training for staff Policies and procedures in place and reviewed regularly (Breaches, Data Protection, Systems Access and Retention Schedule) Secure physical storage measures Admin system providers implement range of protections against cyber threats including encryption, firewalls, annual 3rd party penetration testing etc | | | | | | <p>Staff complete annual information governance.</p> <p>Cyber training for Committee & Board delivered Nov'24. Cyber Incident Tabletop Exercise completed by NESPF Incident Response Team in Jan'25 and Cyber Incident Response Plan updated.</p> | |
| NESPF021 | <p>Risk: Failure of the Fund's administration system</p> <p>Causes: Outages, hardware and software failures and cyber attacks</p> <p>Potential Impact: Staff downtime, loss of service delivery</p> | <ul style="list-style-type: none"> 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 | <p>Increased risk of cyber-attacks globally, mitigations in place.</p> <p>Local Contingency Plan and Systems Access Policy reviewed early 2025.</p> <p>Heywood Cyber Security Testing for</p> | Ongoing |

Last Update: August 2024

| Code | Risk Description | Mitigating Controls | Current Risk | | | | Approach | Additional Actions/Latest Notes | Owner & Timescale |
|-----------------------|---------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|------------|-------|----------|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| | | | Impact | Likelihood | Score | Movement | | | |
| | | | | | | | | 2025 completed and no major issues identified. | |
| NESPFO22 | Risk Failure to track member status and trace information | <ul style="list-style-type: none"> 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 | New mortality tracing. Data uploaded and checked against national death records, automatically creates cases on Altair administration database with output dashboard with lower priority matches. Review of new process ongoing. Tracing exercise to be undertaken in 2025/26. | C Mullen, Dec’25 |
| | Causes: Poor record keeping | | | | | | | | |
| | Potential Impact: Incorrect pension payments, incorrect assessment of actuarial liabilities, tPR action | | | | | | | | |
| Employer Relationship | | | | | | | | | |
| NESPFO23 | Risk: Failure to monitor employer covenant | <ul style="list-style-type: none"> Continued implementation of Covenant Assessment | 2 | 2 | 4 | ↔ | TREAT | In process of implementing online services with Hymans. | Ongoing |
| | Causes: Failure of internal procedures | | | | | | | | |

| Code | Risk Description | Mitigating Controls | Current Risk | | | | Approach | Additional Actions/Latest Notes | Owner & Timescale |
|---------|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|------------|-------|----------|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| | | | Impact | Likelihood | Score | Movement | | | |
| | Potential Impact: Orphaned liabilities could fall on remaining employers | and Monitoring Policy (within FSS) <ul style="list-style-type: none"> Online liability monitor which tracks funding levels and liabilities for each individual employer | | | | | | | |
| ESPF024 | Risk: Changes in early retirement strategies by employers | <ul style="list-style-type: none"> 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 |
| | Causes: Public service cuts to funding | | | | | | | | |
| | Potential Impact: Pressure on cash flows | | | | | | | | |
| NESP025 | Risk: Employers leaving Scheme or closing to new members | <ul style="list-style-type: none"> Management through Covenant Assessment and Monitoring Policy (within FSS) Cost Cap mechanism introduced in LGPS regulations Termination Policy reassessed in line with the 2023 Fund Valuation | 2 | 4 | 8 | ↔ | TREAT | New flexibilities, guarantors in place, new Termination Policy and current funding position. | Ongoing |
| | Causes: Public service cuts to funding, increased pension contribution costs | | | | | | | | |
| | Potential Impact: Orphaned liabilities could fall to remaining employers | | | | | | | | |
| NESP026 | Risk: Longevity | | 2 | 2 | 4 | ↔ | TOLERATE | | Ongoing |

| Code | Risk Description | Mitigating Controls | Current Risk | | | | Approach | Additional Actions/Latest Notes | Owner & Timescale |
|----------|-------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|------------|-------|----------|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| | | | Impact | Likelihood | Score | Movement | | | |
| | Causes: Increasing life expectancy rates Potential Impact: Increase in employer contribution rates and liabilities | <ul style="list-style-type: none"> • Tri-ennial valuation undertakes scheme specific analysis including review of life expectancy/mortality assumptions which are set with some allowance for increases | | | | | | 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. | |
| NESPFO27 | Risk: Employer contributions not received, collected or recorded accurately | <ul style="list-style-type: none"> • 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 | 3 | 6 | ↔ | TREAT | LGPS (Scotland) Regulations delivered Summer 2022 to help manage risk. | Ongoing |
| | Causes: Lack of staff resources, training issues | | | | | | | | |
| | Potential Impact: Orphaned liabilities could fall to remaining employers | | | | | | | New employer contribution rates put in place following 2023 valuation. All employer contribution requirements reduced for inter-valuation period 2024-27. | |
| NESPFO28 | Risk: Failure to maintain member records; data incomplete or inaccurate | <ul style="list-style-type: none"> • Monthly data from employers which is reconciled by ERT | 3 | 2 | 6 | ↔ | TREAT | Work is ongoing to ensure records are as up to date as possible in readiness for | Ongoing |
| | Causes: Lack of staff resources, training issues | | | | | | | | |

| Code | Risk Description | Mitigating Controls | Current Risk | | | | Approach | Additional Actions/Latest Notes | Owner & Timescale |
|----------|---------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|------------|-------|----------|--------------|-------------------------------------------------------------------------|-------------------|
| | | | Impact | Likelihood | Score | Movement | | | |
| | Potential Impact: Incorrect pension payments, incorrect assessment of actuarial liabilities, reputational damage, tPR action | <ul style="list-style-type: none"> Quarterly PAS reporting to Committee & Board Data quality improvement plan implemented Data readiness assessment for Pensions Dashboard Project | | | | | | Pensions Dashboard connection by 2026. | |
| NESPFO29 | Risk: The Fund is unable to adequately comply with required administrative processes owing to McCloud judgement | <ul style="list-style-type: none"> SAB and other industry guidance Early and ongoing communication with employers McCloud project team created | 2 | 2 | 4 | ↔ | TREAT | Now “Live” with McCloud. Majority of historic recalculations completed. | Ongoing |
| | 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 | | | | | | | | |



Pension Administration Strategy

Quarterly Reporting to 30 June 2025

1. NESPF performance from 1st April to 30th June

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 | 7 | 7 | 100.0% | 0 | 0 | 85.7% | 14.3% |
| Death of Deferred/Pensioner notification within 5 working days | 91 | 88 | 96.7% | 3 | 27 | 67.7% | 29.0% |
| Deferred Benefit Care Only within 2 months | 362 | 346 | 95.6% | 16 | 19 | 97.6% | -2.0% |
| Deferred Benefit Final Salary within 2 months | 174 | 158 | 90.8% | 16 | 21 | 88.7% | 2.1% |
| Deferred Benefit notification within 10 working days | 478 | 478 | 100.0% | 0 | 0 | 96.7% | 3.3% |
| Refund within 10 working days | 120 | 105 | 87.5% | 15 | 3 | 91.4% | -3.9% |
| Retirement Benefit within 10 working days | 412 | 292 | 70.9% | 120 | 7 | 88.9% | -18.0% |
| Retirement Estimate within 10 working days | 73 | 73 | 100.0% | 0 | 0 | 100.0% | 0.0% |
| Transfer In quotation within 10 working days | 47 | 38 | 80.9% | 9 | 31 | 89.5% | -8.6% |
| Transfer Out quotation within 10 working days | 25 | 24 | 96.0% | 1 | 7 | 81.4% | 14.6% |
| Totals | 1789 | 1609 | 89.9% | | | 91.7% | -1.8% |

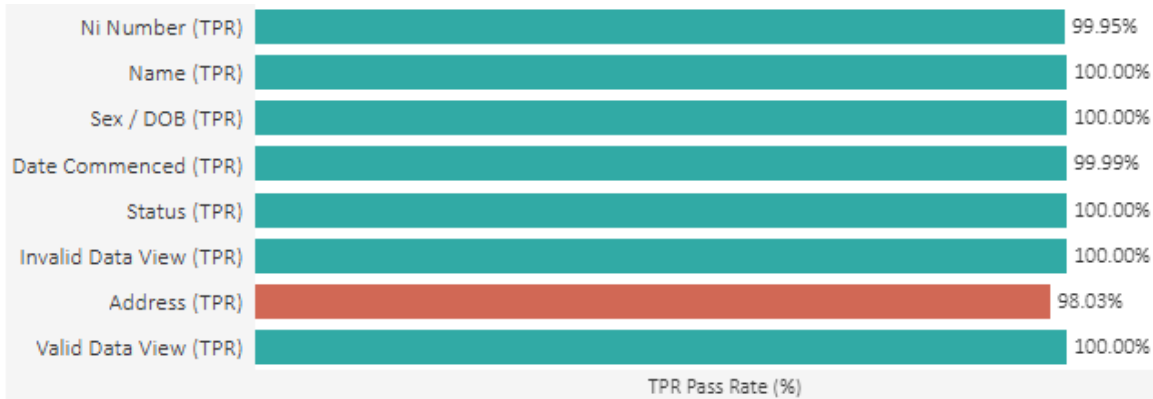
Percentage Analysis

- Overall "Percentage Achieved" at 89.9% is down 1.8% on previous quarter.
- Biggest detractors were "Retirement Benefits within 10 working days" and "Transfer In Quotations within 10 working days".
- 18% decrease for Retirement Benefits was caused by the need to manually calculate a large number of retirals due to a change in processing pre Pensions Increase retirals that was not reflected by the system. This resulted in longer processing times and had a knock on effect on available resources to complete other benefit administration tasks..
- Transfer Out's continue to improve following changes to Workflow process.

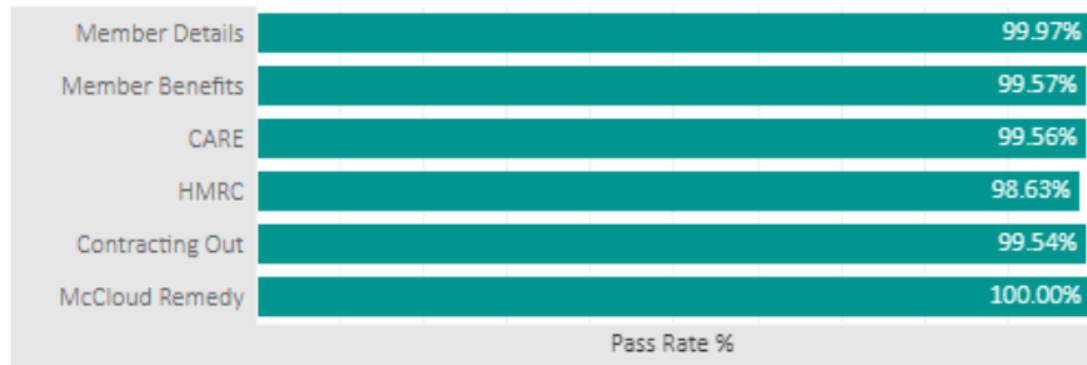
1.2 Data quality

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

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



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

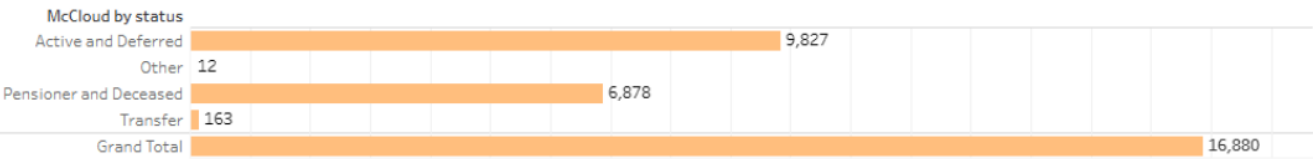


1.3 McCloud remedy

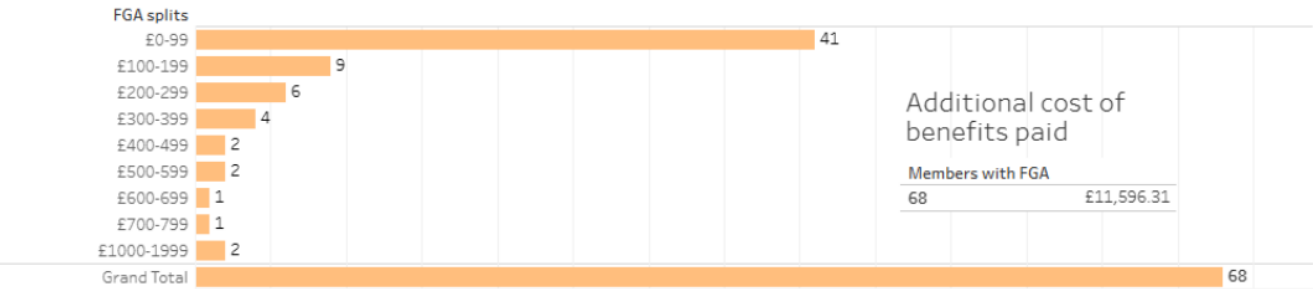
In December 2018 the Court of Appeal ruled in McCloud v Ministry of Justice that “transitional protection” offered to some members as part of pension reform amounted to unlawful discrimination. In July 2019, following employment tribunal, Government stated the difference in treatment would be remedied 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.

Recalculations



Cost Analysis



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.

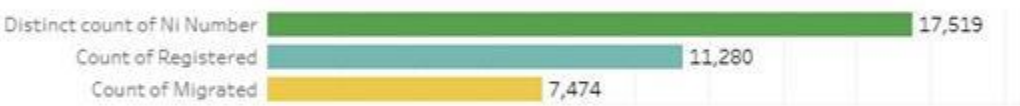
Actives



Percentages

| | |
|--------------------|-------|
| Registered members | 67.6% |
| Migrated members | 77.0% |

Deferreds



Percentages

| | |
|--------------------|-------|
| Registered members | 64.4% |
| Migrated members | 66.3% |

Pensioners & Dependants



Percentages

| | |
|--------------------|-------|
| Registered members | 41.2% |
| Migrated members | 54.5% |

Undecided Leavers



Percentages

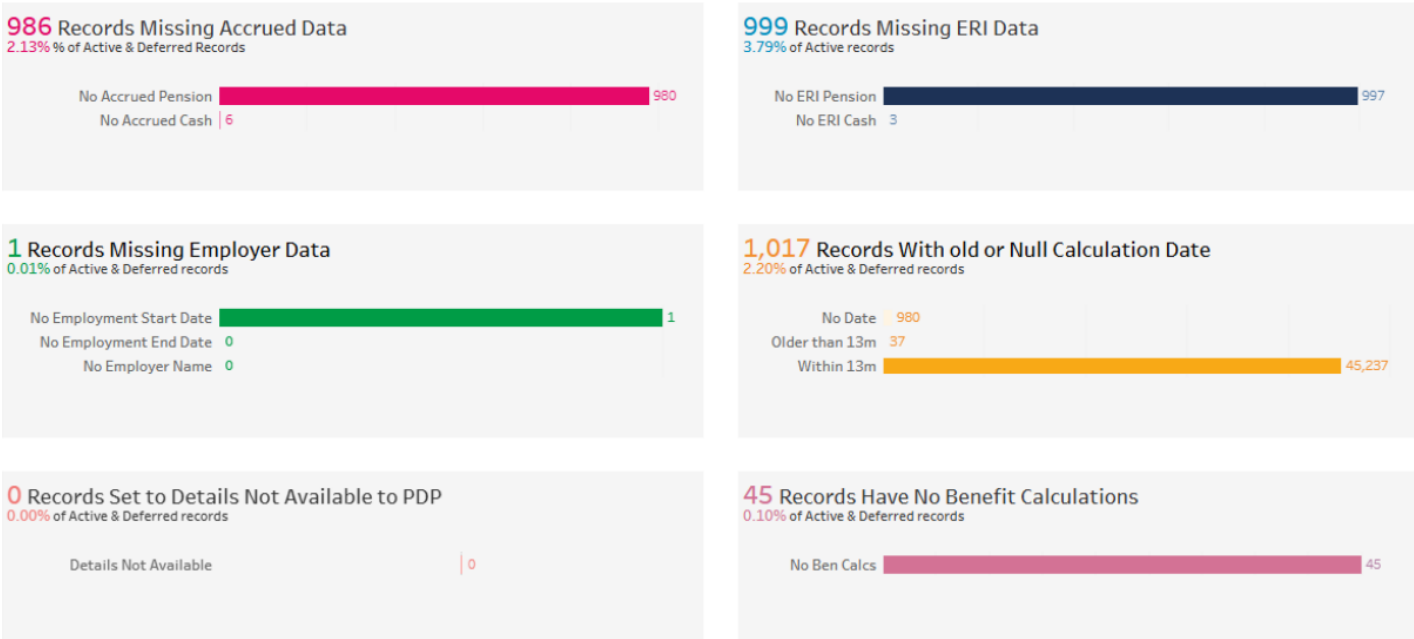
| | |
|--------------------|-------|
| Registered members | 64.7% |
| Migrated members | 72.9% |

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 |
|----------------|--------|----------|
| 46,254 | 26,379 | 19,875 |

The 900+ members relates to new members who joined the scheme after 31 March 2025 and therefore do not have annual benefits statements attached to their records.





North East Scotland Pension Fund

nespf



Pension Board Annual Report

1 April 2024 to 31 March 2025

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Introduction

This is the 2024/25 annual report of the North East Scotland Pension Fund Pension Board.

The North East Scotland Pension Fund (NESPF) Pension Board is required by The Public Service Pensions Act 2013 and has responsibility for assisting the 'Scheme Manager' in securing compliance with all relevant regulations in respect of the Local Government Pension Scheme (Scotland), as well as with the Pension Regulator's General Code of Practice.

The aim of this report is to provide an annual review of the activity of the NESPF Pension Board for the year 2024/25.

Legal Background to the Local Pension Board

Lord Hutton was asked to conduct a wide ranging review into public service pensions on behalf of the Independent Public Service Pensions Commission (IPSPC) and his final report was published in March 2011. In the report a series of reforms were proposed which Lord Hutton believed would allow public service employees to continue to have access to good quality, sustainable and fairer defined benefit pension schemes for the foreseeable future.

One of the key recommendations was the introduction of a new formal regulatory framework to ensure independent review of the governance of public sector pension schemes. This included a properly constituted and trained Pension Board at both national and local level for the Local Government Pension Scheme (LGPS), with overall responsibility for governance and administration and formal member representation.

In response to the report recommendations, The Public Service Pensions Act 2013 and the Local Government Pension Scheme (Governance)(Scotland) Regulations 2015 were subsequently introduced.

These two pieces of legislation brought about changes in governance arrangements for the LGPS, including the requirement for each administering authority to establish a local pension board to assist them in running the pension fund from 1 April 2015.

The Role of the NESPF Pension Board

The role of the local pension board is to assist the 'Scheme Manager' (i.e. Aberdeen City Council as the administering authority) in:

- Securing compliance with the LGPS (Scotland) 2018 regulations and other regulations relating to the governance and administration of the Scheme and any statutory pension scheme that is connected with it;
- Securing compliance with requirements imposed in relation to the Scheme and any connected scheme by the Pensions Regulator (tPR);

- Such other matters as the Scheme regulations may specify

The Pension Board has a monitoring, assisting and reviewing purpose rather than being a decision making body.

A copy of the Board's Nomination and Appointment Policy can be found at <http://www.nespf.org.uk/TheFund/Governance/PoliciesStatements.aspx>.

Regulatory Oversight by the Pensions Regulator (tPR)

The Public Service Pensions Act 2013 also gave the Pensions Regulator (tPR) an expanded role to regulate the governance and administration of public service pension schemes from 1 April 2015.

In carrying out their role for public service pension schemes, tPR are guided by two of their statutory objectives; to protect the benefits of members of occupational pension schemes, and to promote and to improve the understanding of, the good administration of work based pension schemes.

The aims of tPR in relation to the regulation of public service pension schemes are:

- To understand governance and administration practices within public service schemes and make clear the standards and practices that are expected,
- To improve governance and administration standards and practices across all schemes, and
- To support those responsible for complying with legal requirements so that those requirements are met.

TPR's General Code of Practice came into force on 28 March 2024. The Code sets out the standards of conduct and practice tPR expect of those responsible ("governing bodies") for occupational, personal and public service pension schemes, as well as practical guidance on how to comply with the legal requirements. The governing body for the NESPF is the scheme manager.

The governance of public service pension scheme will need to take into account the differing responsibilities of the scheme manager, pension board and where appropriate, the pension committee. The Code sets out expectations for pension boards to help them assist the scheme manager.

The Code is made up of 51 topic based modules, contained within the following 5 sections:

1) Governing Body

- Board Structure and Activities
- Knowledge and Understanding Requirements
- Value for Scheme Members
- Advisors and Service Providers
- Risk Management
- Scheme Governance



2) Funding and Investment

- Investment

3) Administration

- Scheme Administration
- Information Handling
- IT
- Contributions

4) Communications

- Information to Members
- Public Information

5) Reporting to TPR

- Regular Reports
- Whistleblowing – Reporting Breaches of the Law



The North East Scotland Pension Fund Pension Board

The Terms of Reference for the NESPF Pension Board can be found in [Appendix I](#).

Membership

The NESPF Pension Board is made up of an equal number of member (trade union) and employer representatives. The Pension Board membership is shown below;

| Membership | Name | Member as at 31 March 2024 | Joined | Left | Member as at 31 March 2025 |
|-----------------------------|-----------------------------|----------------------------|------------|------------|----------------------------|
| Unison | Morag Lawrence | Yes | | | Yes |
| GMB | Neil Stirling | Yes | | | Yes |
| North East Scotland College | Stuart Thompson | No | 04/11/2024 | | Yes |
| Robert Gordon University | Jeremy Lindley | Yes | | 03/10/2024 | No |
| Unite | Alan Walker | Yes | | | Yes |
| UCATT/Unite | Gordon Walters (Vice Chair) | Yes | | | Yes |
| Aberdeenshire Council | Cllr Stephen Smith (Chair) | Yes | | | Yes |
| Aberdeen City Council | Cllr Jessica Mennie | Yes | | | Yes |
| The Moray Council | Cllr David Gordon | Yes | | | Yes |
| Total | | 8 | 1 | 1 | 8 |

In compliance with the Local Government Pension Scheme (Governance)(Scotland) Regulations 2015, the Chair and Vice Chair of the Pension Board are rotated each year. Following the appointment of Councillor Stephen Smith as the employer representative Chair for 2024/25, a member representative will be required to act as Chair in 2025/26.

Under the Terms of Reference for the Pension Board, representatives are appointed for a four year term, with the option of re-appointment for further terms.

There were no re-appointments during 2024/25.

Meeting Attendance

In compliance with the LGPS (Governance)(Scotland) Regulations 2015, the Pension Board;

- is to meet at the same place and time as the Pensions Committee of the Scheme Manager to consider the same agenda as the Committee, but
- the Pension Board may meet separately from the Pensions Committee with the agreement of the Pensions Committee.

Active participation during meetings as shown in the table below and a willingness to undertake training, clearly demonstrate the commitment of Board members to the continued effectiveness of the NESPF Pension Board.

| Board Member | Meeting Attendance | | | |
|--------------------------------|--------------------|------------|-------------|-------------|
| Employer | 21/06/24 | 13/09/24 | 13/12/24 | 21/03/25 |
| Cllr Stephen Smith | ✓ | ✓ | ✓ | ✓ |
| Cllr Jessica Mennie | ✓ | X | ✓ | ✓ |
| Cllr David Gordon | ✓ | ✓ | ✓ | ✓ |
| Jeremy Lindley | X | X | | |
| Stuart Thompson | | | ✓ | ✓ |
| Member/ Union | | | | |
| Gordon Walters | ✓ | X | ✓ | ✓ |
| Morag Lawrence | ✓ | ✓ | ✓ | ✓ |
| Neil Stirling | X | ✓ | ✓ | ✓ |
| Alan Walker | ✓ | ✓ | ✓ | ✓ |
| Overall Attendance Rate | 75% | 63% | 100% | 100% |

Notes:

Jeremy Lindley left on 03/10/2024.

Stuart Thompson joined on 04/11/2024.

Meeting Content

The Pension Board receive the Pensions Committee reporting pack for each meeting which includes reports covering all six main areas of work for the Pension Fund; investment, accounting, governance, employer relationship, administration and systems.

The following reports were included as standard in the reporting packs during 2024/25:

Asset & Investment Manager Performance
Budget & Projected Spend
Strategy

In addition, the Committee also received reports and updates on:

| | |
|-----------------------------------------|---------------------------------|
| Training | Statement of Accounts |
| Corporate Governance/ESG | Risk Management & Risk Register |
| External Audit | Internal Audit |
| Compliance Review | Annual Report & Accounts |
| PAS performance | Annual Benefit Statements |
| Procurement | Investment Strategy |
| Pensions Committee Annual Effectiveness | |

Financial Costs

The Pension Board carries out its role in a cost effective manner, mindful of delivering value for money. All costs are met by the Pension Fund.



During the period 2024/25 there continued to be mix of training attended, some in person, some hybrid and some totally online. In comparison, costs reported in 2023/24 were £2,993.95.

Costs during 2024/25

| | |
|--------------|-------------------|
| Train | £806.40 |
| Hotels | £805.40 |
| Total | £ 1,611.80 |

Training Requirements

The Public Service Pensions Act 2013 requires that members of local pension boards have an appropriate level of **knowledge and understanding** in order to carry out their role. These responsibilities begin from the date the member takes up their role on the pension board.

A member of the pension board of a public service pension scheme must be **conversant** with the rules of the scheme and any document recording policy about its administration which is for the time being adopted in relation to the scheme.

The Pensions Regulator's General Code of Practice sets out the legal requirements for the knowledge and understanding requirements of pension board members. The Pension Fund must be able to demonstrate compliance with the Code.

The NESPF Pension Board's training plan is subject to regular review and an annual training report is presented to the Pensions Committee. A copy of the Training Policy can be found at [Appendix II](#). A revised Training Policy was approved by the Pensions Committee in June 2024.

The NESPF is committed to supporting Board members to achieve the level of knowledge and understanding they require by providing the appropriate level of training and assistance; training is provided in line with the NESPF Training Policy and covers the following areas:

- Scheme Governance
- Investment Strategy
- Support Services
- Scheme Documentation

Board members are asked to carry out regular personal assessments to assess their overall knowledge and understanding levels based on CIPFA's current Code of Practice and supporting framework. Pension Board members also undertook the Hymans Knowledge Progress Assessment (KPA) at the end of 2023. The KPA is a challenging multiple-choice assessment of participants knowledge and understanding of key pension areas covered by both the CIPFA Knowledge and Skills Framework and the Pensions Regulator's (tPR) General Code of Practice. The feedback from which will be used to direct future training.

Training Attendance

Training offered and delivered during the year included the following:

- Introductory training delivered by the Pensions Manager, for all new Committee and Board members;
- A variety of webinars covering topics from industry experts such as, but not limited to:
 - Accounting;
 - Investment Markets;
 - Government Policies
- NESPF Internal Sessions covering:
 - Investment Strategy;
 - TPR General Code of Practice;
 - Cyber Management;
 - Pensions Dashboards;
 - Data Quality;
 - Member Engagement;
 - Carbon Scoring
- Support in completing The Pension Regulators Public Service Toolkit and the Hymans Robertsons LGPS Online Learning Academy (**Mandatory Training**)

The availability of training opportunities has significantly increased across the Pensions industry in recent years which allows us to offer a wider range of training to our Board members. In addition to the mandatory training set out below, take up of additional training was high amongst Board members during 2024/25.

| Pension Board - Mandatory Training Record as at 31 March 2025 | | | |
|---------------------------------------------------------------|--------------------------------------|-------------|-----------|
| Name | Hymans Robertson LOLA Version 2.0 | TPR Toolkit | Completed |
| Morag Lawrence | ✓ | ✓ | 2/2 |
| Cllr Stephen Smith | ✓ | ✓ | 2/2 |
| Cllr Jessica Mennie | ✓ | | 1/2 |
| Cllr David Gordon | ✓ | | 1/2 |
| Jeremy Lindley | | | 0/2 |
| Neil Stirling | ✓ | ✓ | 2/2 |
| Gordon Walters | ✓ | | 1/2 |
| Alan Walker | ✓ | ✓ | 2/2 |
| Stuart Thompson | ✓ | | 1/2 |

Notes:

Jeremy Lindley left the Pension Board on 03/10/2024
Stuart Thompson joined the Pension Board on 04/11/2024

TPR Toolkit

At the June 2019 meeting the Pensions Committee and Pension Board agreed:

To undertake the online E-Learning Public Service Toolkit produced by the Pensions Regulator as soon as possible and provide evidence of completion to the Pension Fund's governance manager (available at <https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes>)

The requirement to complete this training was formally noted in the June 2024 Training Report (PC/JUN24/TRA) and regular reminders are issued to Committee and Board members in the quarterly bulletins issued by the Governance Team.

The Pensions Regulator have begun updating their Toolkit and this will continue into 2025, following introduction of the new General Code. Board members should aim to complete this important training *as soon as possible*.

Hymans LGPS Online Learning Academy (LOLA)

As per the Training Report and Training Policy approved by the Pensions Committee in June 2024 (PC/JUN24/TRA), it was recommended that Committee and Board members work through and complete the Hymans learning modules, and on an ongoing basis thereafter as new or updated modules were delivered. Board members should aim to complete this training *as soon as possible*.

Commitment to Training

Board members are expected to attend meetings and undertake training to ensure they maintain the prescribed knowledge and understanding levels required to be able to fulfil the responsibilities of the role. The Fund monitors attendance at meetings and training events on an ongoing basis.

Where a member fails to meet the minimum requirements set out in the Training Policy, and in the absence of mitigating factors, the member will be given a reasonable period of time to improve their attendance level. Should no clear improvement be demonstrated, the administering authority will take the necessary steps to terminate the individual's membership.

Code of Conduct, Conflicts of Interest & compliance with tPR

Code of Conduct

Members of the NESPF Pension Board agreed a Code of Conduct in April 2015 (for Non-Councillor members). It is the responsibility of the individual to ensure that they are familiar with, and that their actions comply with, its provisions. A copy of the national Code of Conduct for Councillors and guidance notes can be found at <http://www.standardscommissionscotland.org.uk>.

The key principles of the Code of Conduct are:

- Duty
- Selflessness
- Integrity
- Objectivity
- Accountability and Stewardship
- Openness
- Honesty
- Leadership
- Respect

Conflicts of Interest

Members of the NESPF Pension Board have agreed to a Conflicts of Interest Policy. The most recent version was updated and noted by the Pensions Committee and Pension Board at their meeting in December 2024. It requires all members to notify NESPF of any potential conflicts of interest arising as a result of their position on the Board.

As a standing item at each Pensions Committee and Board meeting, members will be given the opportunity to declare their interest in any of the agenda items and any declared interests will be recorded in the formal minutes of the meeting. In addition, conflict of interest declaration forms will be issued by NESPF on appointment to the Board and are subject to regular monitoring during the term of appointment.

During 2024/25 the Pension Fund carried out an annual review by issuing each Board member with a declaration of interest form. The responses were recorded on the 'Conflicts Register' to facilitate ongoing monitoring and review by the Governance Team.

Compliance with tPR

The Pension Fund carries out a compliance review every six months, with annual reporting to the Pensions Committee. An assessment is made in terms of compliance with the Public Service Pensions Act 2013 and tPR's General Code of Practice.

A full review was carried out during 2024, in preparation for and following implementation, of tPR's new Code to assess Fund compliance. A number of areas of improvement were identified through

completion of a gap analysis and these were highlighted in a report (PC/MAR25/GOV) taken to the March meeting of the Committee and Board.

The most recent “business as usual” review was carried out in December 2024, and also reported to the Pensions Committee in March 2025, concluding that key controls for monitoring the ongoing compliance with legislation and tPR requirements are in place and working effectively.

Breaches of Law

There are certain people that are required to report breaches of the law to the Pensions Regulator where they have reasonable cause to believe that a legal duty which is relevant to the administration of the Scheme has not been, or is not being, complied with and the failure to comply is likely to be of material significance to tPR in the exercise of any of its functions.

Those people with a responsibility to report breaches, including Scheme Managers and Pension Board members shall establish and operate appropriate and effective procedures to ensure that they are able to meet their legal obligations.

Under the UK General Data Protection Regulation, organisations have a duty to report certain types of personal data breaches to the Information Commissioner within 72 hours of becoming aware of the breach, where feasible.

A revised Breaches of Law Policy was taken to the Pensions Committee and Pension Board meeting in December 2024.

There were no breaches reported to the Information Commissioner during the year 2024/25. However the Fund was required to make one report to the Pensions Regulator as it did not include “McCloud” underpin information within the Annual Benefit Statements (ABS). This requirement was removed in amended regulations but not in time for the ABS deadline of 31 August 2024.

Risk Management

In line with CIPFA guidance issued in December 2018, the Pension Fund created its own Risk Management Policy and this was approved by the Pensions Committee in November 2019. The Policy was reviewed and taken to the March 2025 meeting. The last significant changes in 2023, expanded on the Fund’s risk appetite following recommendations made during the last Governance Audit.

The risk register for the Pension Fund identifies the significant risks that could have a material impact in terms of value, reputation, compliance or provision of service and sets out the action taken to mitigate these risks.

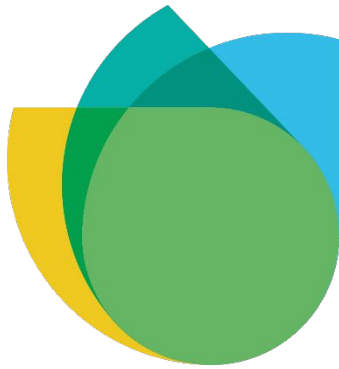
The register is reviewed regularly by the pensions management team and reported quarterly to the Pensions Committee and Board.



Work for 2025/26 onwards

The following areas will be looked at by the Committee & Board in the next 12 months (subject to review):

- Training Plan
- Risk Management & Risk Register
- Pension Fund Annual Report
- Annual review of scheme policy documents
- Compliance Review
- Internal/External Audit Plan and updates
- Conflicts of Interest declarations
- Breaches of Law
- Investment Strategy/ESG



North East Scotland Pension Fund

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Pension Board Terms of Reference

May 2024

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|------------------|----------------------------------|
| Document | Pension Board Terms of Reference |
| Reviewed Date | May 2024 |
| Approval Date | |
| Author & Team | Mairi Suttie, Governance |
| Next Review Date | May 2025 |

Introduction

Each Local Government Pension Scheme Manager in Scotland is required to establish a Pension Board separate from the Pensions Committee that acts as the Scheme Manager.

The North East Scotland Pension Board is established under the provisions of sections 5(1) and (2) of the Public Service Pensions Act 2013 and confirmed under the Local Government Pension Scheme (Governance) (Scotland) Regulations 2015.

Objectives

The Pension Board as detailed in regulations is the body responsible for assisting the Scheme Manager in relation to compliance with scheme regulations and the requirements of the Pensions Regulator.

5(1) – There shall be established for each Scheme Manager a Pension Board with responsibility for assisting the Scheme Manager in relation to the following matters.

(2) Those matters are –

- (a) Securing compliance with the 2018 regulations and other legislation relating to the governance and administration of the Scheme and any statutory pension scheme that is connected with it;*
- (b) Securing compliance with requirements imposed in relation to the Scheme and any connected scheme by the Pensions Regulator;*
- (c) Such other matters as the 2018 regulations may specify*

The Pension Board will determine the areas they wish to consider including, amongst others:

- Reports produced for the Pensions Committee
- Seek reports from the Scheme Manager on any aspect of the Fund
- Monitor investments and the investment principles/strategy/guidance
- The Fund annual report
- External voting and engagement provisions
- Fund administrative performance
- Actuarial reports and valuations
- Funding policy
- Any other matters that the Pension Board deem appropriate

The Pension Board is not a decision making body.

The Pension Board is not a scrutiny function.

The Pension Board will be collectively and individually accountable to the Pensions Committee.

Membership

Membership of the Pension Board will consist of equal numbers of trade union representatives and employer representatives, drawn from councils and scheduled or admitted bodies in membership of the Fund. Pension Board representatives must also not participate in or act as members of the Pensions Committee. Local Authority employer representatives will normally be Elected Members serving as part of the Council.

There will be 4 trade union representatives appointed by the trade unions as follows:

GMB.....1
UCATT.....1
UNISON.....1
Unite.....1

There will be 4 employer representatives appointed by the respective employer organisations as follows:

Councils.....3
Other Scheduled/Admitted Bodies.....1

Pension Board representatives will serve for a period of four years and may be reappointed to serve further terms. Timescales for organisations to notify the Pension Board of their representatives shall be locally determined. Employer bodies and organisations retain the right to withdraw representatives and identify replacements on occasion.

Appointing bodies can appoint a named substitute for their representative. Such substitutes must undertake the same training as set out below.

Advisors may attend meetings of the Pension Board in a non-voting capacity.

No person may be appointed to the Pension Board that has a significant conflict of interest. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Pension Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the scheme or any connected scheme for which the board is established. The Pension Board will adopt policies and protocols for handling any conflicts that were unanticipated and might arise during membership.

Meetings

The Chair of the Pension Board will be rotated on an annual basis between the trade union and employer sides of the Pension Board.

Pension Board meetings will be administered by Aberdeen City Council as the administering authority as agreed with Joint Secretaries appointed by the trade union and employers sides of the Pension Board. All reasonable administration costs shall be met by the Fund.

The Pension Board should meet at least quarterly. A majority of either side may requisition a special meeting of the Pension Board in exceptional circumstances.

The Pension Board may establish sub-committees.

While the statutory roles and function of the Pensions Committee and Pension Board are separate, the normal practice will be that both bodies will meet at the same time to consider the same agenda, with the Chair of the Pensions Committee chairing the concurrent meeting. The aim is to engender a positive and proactive partnership culture where in practice the two bodies act as one.

Dispute resolution

If the Pensions Committee and Pension Board cannot reach joint agreement on any matter the process for resolving any differences between the two bodies will be as follows. Whilst this process is undertaken the decision of the Pensions Committee is still competent.

In the first instance, if at least half of the members agree, then the Pension Board can refer back a decision of the Pensions Committee for further consideration if any of the following grounds are met:

- That there is evidence or information which it is considered needs re-evaluating or new evidence or data which the Pensions Committee did not access or was not aware of at the point of decision making and which is considered material to the decision taken;
- That the decision of the Pensions Committee could be considered illegal or contrary to regulations
- That the decision of the Pensions Committee is contrary to a relevant Code of Practice published by the Pensions Regulator; or
- That the decision is not in the interest of the continued financial viability of the scheme or is against the principles of proper and responsible administration of the scheme.

If there is no agreement after the matter has been referred back to the Pensions Committee, then the difference in view between the Pension Board and the Pensions Committee will be published in the form of a joint secretarial report on the Fund website and included in the Fund annual report.

The Scottish LGPS Scheme Advisory Board may also consider and take a view on the matter and, if considered appropriate, provide advice to the Scheme Manager or the Pension Board in relation to the matter.

Training

All members (and named substitutes) of the Pension Board must undertake a training programme in accordance with any guidance issued by the Pensions Regulator and complying with best practice training requirements of the Pensions Committee.

The Pension Board shall agree policies and arrangements for the acquisition and retention of knowledge and understanding for Pension Board members.

The Scheme Manager will keep an updated list of the documents with which they consider Pension Board members need to be conversant to effectively carry out their role and make sure that both the list and the documents are accessible.

Access to Information

The Scheme Manager and Pension Board will together ensure that information is published about the activities of the board including:

- The full terms of reference for the Pension Board, including details of how they will operate;
- The Pension Board appointment process;
- Who each individual Pension Board member represents; and
- Any specific roles and responsibilities of individual Pension Board members.

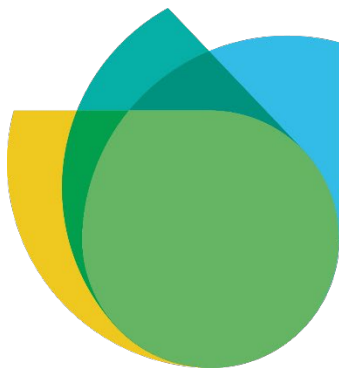
The minutes of the Pension Board will be published on the Fund website. The Pension Board may undertake such communications and stakeholder engagement as it deems appropriate to perform its functions.

Further Information

Any questions on this Statement should be forwarded to the **Governance Team**:

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

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



North East Scotland Pension Fund
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Training Policy

April 2024

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|---------------|----------------------|
| Document | Training Policy |
| Review Date | April 2024 |
| Approval Date | June 2024 |
| Author & Team | M Suttie, Governance |
| Review Date | April 2025 |

Purpose Statement

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

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

Application & Scope

Expectations

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

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

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

Induction Process

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

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

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

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

As part of the induction process:

- 1) Members of the Pensions Committee and Pension Board **must** complete, by their first meeting or within the first three months of their appointment, whichever is earlier, the online training course provided by The Pensions Regulator in their Public Service Toolkit.
- 2) Members of the Pensions Committee and Pension Board **must** complete, within the first twelve months of their appointment, the online training courses available on the Hymans Online Learning Academy (LOLA), with the first introductory module being completed before their first meeting.

Training Plan

Myners Principles

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

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

CIPFA Knowledge and Skills Framework

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

The CIPFA framework sets out the following key areas:

- Pensions legislations and guidance
- Pensions governance
- Funding strategy and actuarial methods
- Pensions administration and communications
- Pensions financial strategy, management, accounting, reporting and audit standards
- Investment strategy, asset allocation, pooling, performance and risk management

- Financial markets and product knowledge
- Pensions services procurement, contract management and relationship management

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

Markets in Financial Instruments Directive (MiFID II) Requirements

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

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

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

Pension Board Specific Requirements

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

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

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

- The law relating to pensions
- Such other matters as may be prescribed

CIPFA have published a separate [Technical Knowledge and Skills Framework](#) for Local Pension Board members.

Training Arrangements

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

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

- employer and scheme member events hosted by the Pension Fund
- internally developed training days and pre/post meeting sessions
- seminars and conferences that are offered by industry wide bodies, specifically the LAPFF annual conference, LGC conferences and PLSA conferences
- on-line training including use of the Hymans Online Learning Academy (LOLA)
- seminars and training events offered by the Fund's investment managers and advisors
- use of the secure 'trustee' area of the Pension Fund website
- in addition to the above, Fund officers are available to answer any queries from Committee and Board members.

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

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

Hymans LOLA

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

- Module 1 – Committee Role and Pensions Legislation
- Module 2 – Pensions Governance
- Module 3 – Pensions Administration

- Module 4 – Pensions Accounting and Audit Standards
- Module 5 – Procurement and Relationship Management
- Module 6 – Investment Performance and Risk Management
- Module 7 – Financial Markets and Product Knowledge
- Module 8 – Actuarial methods, Standards and Practices

There is also a “current issues” module which is regularly updated.

The Pensions Regulator’s E-Learning Toolkit

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

- Conflicts of Interest
- Managing Risk and Internal Controls
- Maintaining Accurate Member Data
- Maintaining Member Contributions
- Providing Information to Members and Others
- Resolving Internal Disputes
- Reporting Breaches of Law
- Pensions Scams (optional)

TPR’s Toolkit is due to be refreshed during 2024, following implementation of their General Code and therefore the modules set out above are subject to change.

Policy Performance

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

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

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

Supporting Procedures & Documentation

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

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

Responsibilities

All training costs are met directly by the Pension Fund.

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

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

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

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

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

CIPFA Knowledge and Skills Framework

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

Level of knowledge required

For committee members:

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

| CIPFA Knowledge and Skills | | |
|----------------------------|--------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Pensions and Guidance | Legislations | <u>General Pensions Framework</u> A general understanding of: <ul style="list-style-type: none"> • the pensions legislative framework in the UK • other legislation that is relevant in managing an LGPS fund, e.g. freedom of information, General Data Protection Regulation (GDPR) and local authority legislation <u>Scheme-specific legislation</u> A general understanding of: |
| | | |

| | |
|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <ul style="list-style-type: none"> the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration, funding, governance, communications and investment, including the LGPS (Scotland) Regulations 2018 and the LGPS (Scotland) (Management and Investment of Funds) Regulations 2010 <p>An awareness of:</p> <ul style="list-style-type: none"> LGPS discretions and how the formulation of the discretionary policies impacts on the Fund, employers and scheme members the latest changes to the scheme rules and current proposals or potential changes to the scheme (regularly updated) <p><u>Guidance</u></p> <p>A general understanding of:</p> <ul style="list-style-type: none"> the requirements of statutory guidance from the Responsible Authority, Scottish Government the requirements of tPR's Code of Practice <p>An awareness of:</p> <ul style="list-style-type: none"> the requirements of guidance from the Scheme Advisory Board the requirements of guidance from the Government Actuary's Department other guidance relevant to the LGPS, such as from CIPFA |
| Pensions Governance | <p>An awareness of:</p> <ul style="list-style-type: none"> the main features and requirements of the LGPS regulations relating to pension scheme governance statutory and other guidance relating to pension scheme governance including statutory governance guidance, tPR Code of Practice, CIPFA/SOLACE, Scheme Advisory Board guidance and the Myners Principles |

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| | <p><u>Pension regulators, Scheme Advisory Board and other bodies</u></p> <p>A general understanding of:</p> <ul style="list-style-type: none"> • how the roles and powers of the Scottish Government, tPR, the Money and Pensions Service and the Pensions Ombudsman relate to the workings of the scheme • the role of the Scheme Advisory Board and how it interacts with other bodies <p><u>General constitutional framework</u></p> <p>A general understanding of:</p> <ul style="list-style-type: none"> • the role of the administering authority in relation to the LGPS • the role of the pension committees in relation to the Fund, administering authority, employing authorities, scheme members and taxpayers <p>An awareness of:</p> <ul style="list-style-type: none"> • the role and statutory responsibilities of the Chief Financial Officer (CFO) and monitoring officer <p><u>Fund specific governance</u></p> <p>A strong understanding of:</p> <ul style="list-style-type: none"> • the terms of reference and delegated responsibilities of the Pensions Committee (including any sub-committees), the Pension Board and any other delegated responsibilities to senior officers • how breaches of law are recorded and managed, and if necessary reported to tPR, including each individual's personal responsibility in relation to breaches |
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| | <p>A general understanding of:</p> <ul style="list-style-type: none"> • the stakeholders of the Fund and the nature of their interests • who the key officers responsible for the management of the Fund are, how the pension team is structured and how services are delivered • the Fund's strategies, policies and other key documents • how risk is monitored and managed, and the Fund's current key risks • how conflicts of interest are identified and managed • the Fund's knowledge and skills policy and associated training requirements • how the effectiveness of the Fund's governance is reviewed <p>An awareness of:</p> <ul style="list-style-type: none"> • the Fund's process for dealing with complaints, including its Internal Dispute Resolution Procedure <p><u>Service Delivery</u></p> <p>A general understanding of:</p> <ul style="list-style-type: none"> • the required budget and resources needed to manage and administer the Fund • the annual business planning cycle and budget setting • the Fund's key performance indicators and other performance measures • the Fund's business continuity policy and cyber security policy |
| Funding strategy and actuarial methods | <p>An awareness of:</p> <ul style="list-style-type: none"> • the LGPS regulations main features and requirements relating to funding strategy and the setting of employer contributions including associated guidance |

A general understanding of:

- the role of the Fund actuary
- the funding strategy statement and the expected delivery of the funding objectives
- the key risks to the Fund relating to the funding strategy

Valuations

A general understanding of:

- the valuation process, including developing the funding strategy in conjunction with the Fund actuary, and inter-valuation monitoring
- the importance of employer covenant, the relative strengths of the covenant across the Fund's employers, and how this impacts the funding strategy statement adopted
- any legislative and/or benefit uncertainty and the impact of this on the funding strategy
- the Scheme valuation and other work carried out by the Government Actuary's Department and the impact this has on the valuation process (i.e. cost management process/Section 13 report)

An awareness of:

- the costs to the employer including employer contributions and early retirement strain costs
- the different types of employers that participate in the Fund

New employer and exits

A general understanding of:

- the implications of including new employers into the Fund and of the exits of existing employers
- the relevant considerations in relation to the different types of new employer, e.g. outsourcings, alternative delivery models and also the considerations in relation to bulk transfers

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| <p>Pensions administration and communications</p> | <p>An awareness of:</p> <ul style="list-style-type: none"> • the LGPS regulations main features and requirements relating to: <ul style="list-style-type: none"> ○ Administration and communications strategies; ○ Entitlement to and calculation of pension benefits; ○ Transfers in and out of the scheme; ○ Employee contributions; and ○ The delivery of administration and communications. <p>Including associated guidance.</p> <p>A general understanding of:</p> <ul style="list-style-type: none"> • the Fund's Pensions Administration Strategy including how it is delivered (including, where applicable, the use of third party suppliers and systems), performance measures and assurance processes • the Fund's communications policy including how it is delivered (including, where applicable, the use of third party suppliers and systems), performance measures and assurance processes • best practice in pensions administration, e.g. performance and cost measures • the Fund's processes and procedures relating to: <ul style="list-style-type: none"> ○ Member data maintenance and record-keeping including data improvement plans and relationships with employers for data transmission ○ Contributions collection <p>An awareness of:</p> <ul style="list-style-type: none"> • how the Fund interacts with the taxation system in relation to benefits administration, including the annual and lifetime allowances |
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| | <p>A general understanding of additional voluntary contribution (AVC) arrangements including:</p> <ul style="list-style-type: none"> • the AVC arrangements that exist • the choice of investments to be offered to members • the provider's investment and fund performance • the payment of contributions to the provider • the benefits that can be received by scheme members • how and when the AVC arrangements, including the investment choices, are reviewed. |
| Pensions financial strategy, management, accounting, report and audit standards | <p>A general understanding of:</p> <ul style="list-style-type: none"> • the Accounts and Audit Regulations and legislative requirements relating to the role of the committee and individual members in considering and signing off the Fund's accounts and annual report • the various elements of income and expenditure to the Fund, including the operational budget • the cashflows of the Fund and how risks are managed to ensure appropriate cash is available to pay benefits and other outgoings • the role of both internal and external audit in the governance and assurance process |
| Investment strategy, asset allocation, pooling, performance and risk management | <p>An awareness of:</p> <ul style="list-style-type: none"> • the main features and requirements of the LGPS Regulations relating to investment strategy, asset allocation, the pooling of investments and responsible investments including associated guidance <p><u>Investment strategy</u></p> <p>A general understanding of:</p> <ul style="list-style-type: none"> • the key risks that the Fund is exposed to and how a Fund's investment strategy should be considered in conjunction with these risks |

- the risk and return characteristics of the main asset classes (equities, bonds, property), and the need to balance risk versus reward when determining the investment strategy
- the role of these asset classes in long-term pension fund investing
- the Fund's cashflow requirements and how this impacts on the types of investments considered

Total Fund

A **general understanding** of:

- the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks

Performance of the Committee

An **awareness** of:

- the Myners principles and the need to set targets for the committee and to report against them
- the range of support services provided to the committee, who supplies them, and the nature of the performance monitoring regime

Responsible investment

An **awareness** of:

- the latest developments and requirements in the area of responsible investment
- the UK Stewardship Code and the United Nations Principles of Responsible Investment (UNPRI) and whether the Fund is signatory to these

A **general understanding** of:

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| | <ul style="list-style-type: none"> the Fund's approach to responsible investment including how views on Environmental, Social and Governance issues are incorporated into the Fund's investment strategy <p><u>Risk Management</u></p> <p>A general understanding of:</p> <ul style="list-style-type: none"> how to manage and reduce risk and lessen impact of risk on assets when it arises |
| Financial markets and products knowledge | <p><u>Financial Markets</u></p> <p>A general understanding of:</p> <ul style="list-style-type: none"> the primary importance of the investment strategy decision the workings of the financial markets and of the investment vehicles available to the Pension Fund and the nature of associated risks <p>An awareness of:</p> <ul style="list-style-type: none"> the restrictions placed by legislation on the investment activities of LGPS Funds <p><u>MiFID II</u></p> <p>A general understanding of:</p> <ul style="list-style-type: none"> MiFID II requirements relating to the knowledge of decision makers |

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| <p>Pensions procurement, management relationship management</p> <p>services contract and</p> | <p><u>Understanding public procurement</u></p> <p>An awareness of:</p> <ul style="list-style-type: none"> the main public procurement requirements of UK and EU legislation and the use of national frameworks within the context of the LGPS <p><u>Fund suppliers</u></p> <p>An awareness of:</p> <ul style="list-style-type: none"> the key decision makers in relation to the Fund's procurements how the Fund's suppliers are monitored, including: <ul style="list-style-type: none"> the Myners Principles, and the need for strategic objectives for investment consultants <p>A general understanding of:</p> <ul style="list-style-type: none"> the Fund's suppliers and providers, and their roles in the management of the Fund <p><u>Supplier risk management</u></p> <p>A general understanding of:</p> <ul style="list-style-type: none"> the nature and scope of risks for the Pension Fund and of the importance of considering risk factors when selecting external suppliers and providers how the Pension Fund monitors and manages the performance of their external suppliers and providers, including business continuity and cyber risk |
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| Local Pension Boards: A Technical Knowledge and Skills Framework | |
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| Pensions Legislation | <p>A general understanding of the pensions legislative framework in the UK.</p> <p>An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.</p> <p>An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.</p> <p>A regularly updated appreciation of the latest changes to the scheme rules.</p> |
| Pensions Governance | <p>Knowledge of the role of the administering authority in relation to the LGPS.</p> <p>An understanding of how the roles and powers of the SPPA, the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.</p> <p>Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.</p> <p>Broad understanding of the role of pension fund committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers.</p> <p>Awareness of the role and statutory responsibilities of the treasurer and monitoring officer.</p> <p>Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.</p> <p>A detailed knowledge of the duties and responsibilities of pension board members.</p> <p>Knowledge of the stakeholders of the pension fund and the nature of their interests.</p> <p>Knowledge of consultation, communication and involvement options relevant to the stakeholders.</p> |

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| | <p>Knowledge of how pension fund management risk is monitored and managed.</p> <p>Understanding of how conflicts of interest are identified and managed.</p> <p>Understanding of how breaches in law are reported.</p> |
| Pension Administration | <p>An understanding of best practice in pensions administration, e.g. performance and cost measures.</p> <p>Understanding of the required and adopted scheme policies and procedures relating to:</p> <ul style="list-style-type: none"> • members data maintenance and record-keeping processes • internal dispute resolution • contributions collection • scheme communications and materials <p>Knowledge of how discretionary powers operate.</p> <p>Knowledge of the pensions administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes).</p> <p>An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration.</p> <p>An understanding of what additional voluntary contribution arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.</p> |
| Pensions Accounting and Auditing Standards | <p>Understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.</p> |

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| | <p>Understanding of the role of both internal and external audit in the governance and assurance process.</p> <p>An understanding of the role played by third party assurance providers.</p> |
| Pensions services procurement and relationship management | <p>Understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision makers and organisations.</p> <p>A general understanding of the main public procurement requirements of UK and EU legislation.</p> <p>Understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.</p> <p>An understanding of how the pension fund monitors and manages the performance of their outsources providers.</p> |
| Investment performance and risk management | <p>Understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.</p> <p>Awareness of the Myners principles of performance management and the approach adopted by the administering authority.</p> <p>Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.</p> |
| Financial markets and products knowledge | <p>Understanding of the risk and return characteristics of the main asset classes (equities, bonds, property).</p> <p>Understanding of the role of these asset classes in long-term pension fund investing.</p> <p>Understanding of the primary importance of the investment strategy decision.</p> <p>A broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks.</p> |

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| | <p>An understanding of the limits placed by regulation on the investment activities of local government pension funds.</p> <p>An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments.</p> |
| <p>Actuarial methods, standards and practices</p> | <p>A general understanding of the role of the fund actuary.</p> <p>Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.</p> <p>Awareness of the importance of monitoring early and ill health retirement strain costs.</p> <p>A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.</p> <p>A general understanding of the relevant considerations in relation to outsourcings and bulk transfers.</p> <p>A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers.</p> |

Role Profile for Convener of the Pensions Committee

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

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

1. Convener of the Pensions Committee to preside over the determination of the following, after taking the advice of the Chief Officer – Finance and other advisors:
 - The investment strategy of the Fund or Funds for which the Pensions Committee is responsible
 - The contribution rates of the employing organisations whose current and retired employees are members of the LGPS
 - The appointment of investment and actuarial advisors and other third party services
 - The governance framework
 - The communication strategy of the Fund or Funds
2. And to monitor:
 - The performance of the investments, the pensions administration service, the advisors and agents of the Fund and of the Committee itself
 - The costs of running the Pension Fund and Scheme
 - Comments and feedback from stakeholders

3. And to approve:

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

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

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

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

EXPECTED SKILLS AND CHARACTERISTICS REQUIRED FOR CONVENER

| Requirement | Essential | Desirable |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Educational | <ul style="list-style-type: none"> • A strong understanding of pensions, financial or HR matters (through council, personal and/or career experience) • Commitment to individually achieving the required level of knowledge in relation to the CIPFA Framework competencies (or alternative requirements as set out by the administering authority) | <ul style="list-style-type: none"> • Demonstrable evidence of knowledge kept up to date • Knowledge of pension funds and schemes |
| 2. Work Experience | <ul style="list-style-type: none"> • Political awareness in numerous political environments • Chairing high level partnership meetings achieving effective outcomes • Has operated for 10 years at a senior level | <ul style="list-style-type: none"> • Previously chaired a pensions committee or similar |

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| | <ul style="list-style-type: none"> • Experience of risk and performance frameworks | |
| 3. Abilities, Intelligence & Special Aptitudes | <ul style="list-style-type: none"> • Chairing skills • Influencing and consensus building • Listening skills • Able to assimilate complex information • Communication and engagement skills | <ul style="list-style-type: none"> • Mathematical/statistical literacy • Knowledge of public sector and local government finance |
| 4. Adjustment & Social Skills | <ul style="list-style-type: none"> • Ability to establish and maintain good working relationships with councillors, officers and advisors • Able to direct discussions in politically sensitive environments • Able to command respect and demonstrate strong leadership • Assertive in pursuing the correct course of action • Able to work effectively with colleagues who may have different levels of experience and understanding | <ul style="list-style-type: none"> • Diplomacy and tact |
| 5. Motivation | <ul style="list-style-type: none"> • Enthusiastic, not easily deterred and able to convey enthusiasm to others • Committed to the objectives of the Fund | |
| 6. Equal Opportunities | <ul style="list-style-type: none"> • Understanding of and commitment to promoting equality of opportunity with an understanding of the pension context | |

Compliance with the Job Description

1. Pensions Legislative and Governance context

- 1.1 The pension's landscape is characterised by a complex legislative framework. In addition to the legislation of individual schemes, there are industry-wide statutes that apply in whole or in part to public sector schemes, including the way in which schemes interact with state pensions etc.
- 1.2 Also of key importance is a knowledge of the governance frameworks that apply within the pensions industry (such as the Myners principles); within individual schemes (such as the LGPS governance statement requirements); and within the organisations that administer the schemes (for example the CIPFA/SOLACE framework *Delivering Good Governance in Local Government*).

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

2. Pensions accounting and auditing standards

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

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

3. Investment performance and risk management

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

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

4. Financial markets and product knowledge

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

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

5. Actuarial methods, standards and practices

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

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

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ABERDEEN CITY COUNCIL

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| COMMITTEE | Pensions Committee |
| DATE | 12 September 2025 |
| EXEMPT | No |
| CONFIDENTIAL | No |
| REPORT TITLE | McCloud Determination |
| REPORT NUMBER | PC/SEPT25/MCCLOUD |
| EXECUTIVE DIRECTOR | Andy MacDonald |
| CHIEF OFFICER | Jonathan Belford |
| REPORT AUTHOR | Claire Mullen |
| TERMS OF REFERENCE | 4.1 |

1. PURPOSE OF REPORT

- 1.1 To inform the Committee of the Fund's decision to exercise its flexibility under the Local Government Pension Scheme (Remediable Service)(Scotland) Regulations 2023 to make a determination to extend the implementation phase of the McCloud Remedy to 31st August 2026.

2. RECOMMENDATIONS

That the Committee:-

- 2.1 Note the contents 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 Failing to include remediable service information in the Annual Benefit Statement (ABS) for 2024 to 2025 and completing full rectification by 31st August 2025 would be a breach of the "McCloud Remedy" regulations and result in a report being submitted to the Pensions Regulator, unless the Fund exercises its discretion to delay this for a further year.
- 5.2 The decision to extend the implementation phase has been made under Powers Delegated to Officers, primarily 42) which gives delegated power to the Chief Officer – Finance "to administer the North East Scotland Pension Fund in accordance with the Local Government Pension Scheme Regulations and any other relevant legislation".

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 | 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 | Lack of compliance with the Remedy Regulations. | The Fund has included information as required in the 2024/25 ABS and are exercising the determination to extend the implementation phase to 31 st August 2026. | 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 3 rd June 2025. |
| Data Protection Impact Assessment | Not required |
| Other | N/A |

10. BACKGROUND PAPERS

10.1 None

11. APPENDICES

11.1 Appendix I, Work Plan

12. REPORT AUTHOR CONTACT DETAILS

| | |
|----------------------|------------------------------------|
| Name | Claire Mullen |
| Title | Employer Relationship Team Manager |
| Email Address | CMullen@nespf.org.uk |

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North East Scotland Pension Fund

nespf

McCloud Determination Report

September 2025

1. Background

In 2015, the Government made changes to public sector pensions including the Local Government Pension Scheme (LGPS). These changes provided transitional protections for older members of the schemes. However, in December 2018, the Court of Appeal ruled that younger members of the judicial and firefighters' pension schemes had been unlawfully discriminated against because the protections did not apply to them. This ruling became known as the "McCloud judgement".

In 2023, Scottish Ministers made regulations to address the McCloud age discrimination in the LGPS by extending underpin protection to younger members who did not qualify originally due to their age. The LGPS "McCloud Remedy" was implemented legislatively through the Local Government Pension Scheme (Remediable Service)(Scotland) Regulations 2023 ("the 2023 Regulations"), which came into force on 1st October 2023.

Implementation of the "McCloud Remedy" has been a priority of the NESPF administration team over the last two years with a dedicated Project Lead in place. As a result of this prioritisation, the Fund was able to 'go live' with McCloud calculations as soon as the required changes to the regulations and updates to the pension administration system, Altair, made it possible and updates have been provided quarterly to Committee through the PAS reporting.

2. Determination

By law, LGPS administering authorities will need to include remediable service information in the Annual Benefit Statement (ABS) issued to members for the 2024 to 2025 scheme year unless they exercise their discretion to delay this for a further year. The deadline for issuing the ABS's is 31st August 2025.

ABS's for the year 2024/25 were issued for all active and deferred members of the NESPF by early August 2025 and include details of and provisional guaranteed amounts that have arisen as a result of the McCloud Remedy in line with the requirements.

An additional default deadline also exists in terms of ensuring all McCloud rectification work is completed by 31st August 2025. This means that all calculations carried out for McCloud affected members during the remedy period where no allowance for McCloud was previously considered are to be revisited and any calculated adjustments to payments are to be made.

Whilst the Fund have made every effort to revisit all affected calculations, there are a limited group of calculations where this has not been possible.

To date and in advance of the 31st August 2025 deadline, the Fund has carried out recalculations and rectification work on the following calculation types:

- All pensioner calculations including late retirements
- Manual calculation of all Councillor pensions
- Checks against trivial commutations paid out for the remedy period

However, the Fund has been unable to meet the deadline for the revisiting of the following calculation types:

- **Transfer Calculations** – the benefit administration system, Altair, has not been updated to allow for recalculation of the transfer of benefits. This includes Club and Non-club transfers, both in and out of the Fund.
- **Divorce Calculations** – similar to transfers, the benefit administration system will require updates to allow for this type of calculation to take place. There are very few actual divorce settlements that would fall within the remedy period, however the complicated nature of these calculations will require systems support.
- **Death in Service** – the Fund have identified 201 calculations that will need to be revisited to check whether any rectification work is required to be carried out. These can be carried out using the benefit administration system with any rectification payments being made to the deceased members beneficiaries.

Fund's can make a "determination" to extend the McCloud implementation phase to 31st August 2026 under the regulations in respect of individual or classes of members where the administering authority believes it is "reasonable in all the circumstances" to make that determination. If an administering authority makes a determination for any of its members, it provides an extra year to retrospectively adjust pensions, pay arrears etc. However careful consideration must be given to exercising this flexibility in terms of striking the right balance in the best interests of affected members. The deadline for exercising the determination is 31st August 2025.

After careful consideration, Officers have decided to make a determination in respect of limited classes of members i.e. those requiring transfer, divorce or death in service recalculations, for the reasons set out above.

3. Next Steps

By making a determination, it allows more time for the required key changes to the benefit administration system to be developed, tested and implemented. However, by extending the implementation phase, the Fund also recognises it will mean a delay before the McCloud discrimination, identified as part of the original legal challenge, is resolved for some members of the NESPF.

A Work Plan, attached at **Appendix I**, outlines the timeline for completion of the outstanding work and project as a whole.

Further progress updates will be provided to Committee at regular intervals in line with the proposed Work Plan. This will ensure the Fund is able to provide full rectification, and resolution for impacted members, as soon as it possibly can and in advance of the revised August 2026 deadline.

4. Recommendation

The Committee is asked to note this report with regards to the deferral of full McCloud rectification implementation to August 2026. Deferral in respect of the limited members set out above is considered to be reasonable in the circumstances given system limitations and resource requirements.

Appendix I

Work Plan for Completion by 31 August 2026

There are 3 types of retrospective calculations that the decision has been taken to extend the deadline to 31st August 2026 for them to be completed.

These are:-

- 1) Death in Service calculations
- 2) Transfer out calculations
- 3) Divorce calculations

These will be dealt with as follows:-

- 1) Death in Service calculations

There are 201 calculations to be revisited and all need a manual calculation to determine if there is a Survivors Guarantee Amount to be paid.

These will be targeted first from September 2025 to January 2026.

- 2) Transfer out calculations

The system is currently in the process of being updated to be able to do these calculations with less manual intervention required. Therefore the 147 transfers will be dealt with second from February 2026 to May 2026.

- 3) Divorce calculations

The guidance on when and how to do a retrospective calculation is not complete so these will be looked at last from June 2026 to August 2026 once full guidance has been received.

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ABERDEEN CITY COUNCIL

| | |
|---------------------------|----------------------------------|
| COMMITTEE | Pensions Committee |
| DATE | 12 September 2025 |
| EXEMPT | No |
| CONFIDENTIAL | No |
| REPORT TITLE | Investment Strategy Update |
| REPORT NUMBER | PC/SEPT25/INVSTRAT |
| EXECUTIVE DIRECTOR | Andy MacDonald |
| CHIEF OFFICER | Jonathan Belford |
| REPORT AUTHOR | Graham Buntain and Laura Colliss |
| TERMS OF REFERENCE | 5.2 |

1. PURPOSE OF REPORT

- 1.1 To provide an update with regards to the Principles for Responsible Investment (PRI) submission.

2. RECOMMENDATION

That the Committee:-

- 2.1 Note the contents of the report for assurance.

3. CURRENT SITUATION

- 3.1 See attached main report.

4. FINANCIAL IMPLICATIONS

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

5. LEGAL IMPLICATIONS

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

6. ENVIRONMENTAL IMPLICATIONS

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

7. RISK

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

| 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 | No significant risks identified. | N/A | N/A | N/A |
| Operational | No significant risks identified. | N/A | N/A | N/A |
| Financial | <ul style="list-style-type: none"> • Insufficient assets to meet the Fund's long term liabilities • Failure to monitor investment managers and assets | <ul style="list-style-type: none"> • 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 | L | Yes |
| 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 3 rd June 2025. |

| | |
|------------------------------------------|--------------|
| 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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Investment Strategy

September 2025

1.1 Principles of Responsible Investment (PRI) submission update

NESPF has been a member of PRI since August 2010, regularly submitting an annual assessment of the Fund's Environmental, Social and Governance (ESG) capabilities. In line with new guidance from PRI and general best practice, Officers are now required to advise Committee & Board around the submission of our annual assessment questionnaire. A full copy of this documentation has been added to the Committee & Board member zone.

As has been the case in prior years, Fund Officers will advise on the scoring and results when published by PRI in due course.

Further background and details are available on NESPF's website:

<https://www.nespf.org.uk/about/investment/responsible-investment/pri/>

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

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