North East Scotland Pension Fund

Unaudited 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 £6.325bn 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 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 Fund 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, 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	Rothesay 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. 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.

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**	**0**	**0**	**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

In line with Scheme regulations, the Fund established a Pension Board in 2015/16. 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	✓	N/A	N/A	**50%**
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: www.nespf.org.uk.

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/mgMemberIndex.

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.

The Training Report and Training Policy was approved at the June 2022 Pensions Committee and Board meeting. 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. 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%
Total	**34,850***		**25,407**	

*Number of members registered by membership does not total up to final number of registered members as some will have records in multiple categories (e.g. an Active and a Deferred record). Migrated members increased by 25% in 2024/25.

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 Pension Committee following a full consultation. The aim of the PAS is to aid the delivery of high-quality pension administration for the members of the Fund on behalf of its participating employers.

The underlying objectives are:

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

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 Pension 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

£25m

Management Expenses

£212m

Investment Return

£6,325m

Net Assets of the Fund at the End of the Year

Key Statistics	
36 **Total Number of Employers**	**78,991*** **Total Membership**
1,164 **Votes at AGMS**	**58%*** **Members Registered for My Pension+**
46.5 **Staff Employed (FTE)**	**1,720** **Members to Staff Ratio**

*Total membership is based on membership records as a member can have more than one record. Equivalent number in terms of member headcount is 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**	**211,630**
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**	**87,828**
Fund Balance as at 31 March (Market Value)	**5,777,189**	**5,925,893**	**5,803,777**	**6,236,899**	**6,324,727**

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	(273)
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**	**(2,904)**

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	262.92
Total Cost per Member	**385.86**	**373.27**	**279.25**	**334.21**	**316.99**

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 wear withal 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	21.3	22.5
Property/Infrastructure	16.4	20.0	15.5	20.0
Cash/Other	2.2	2.5	6.0	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:

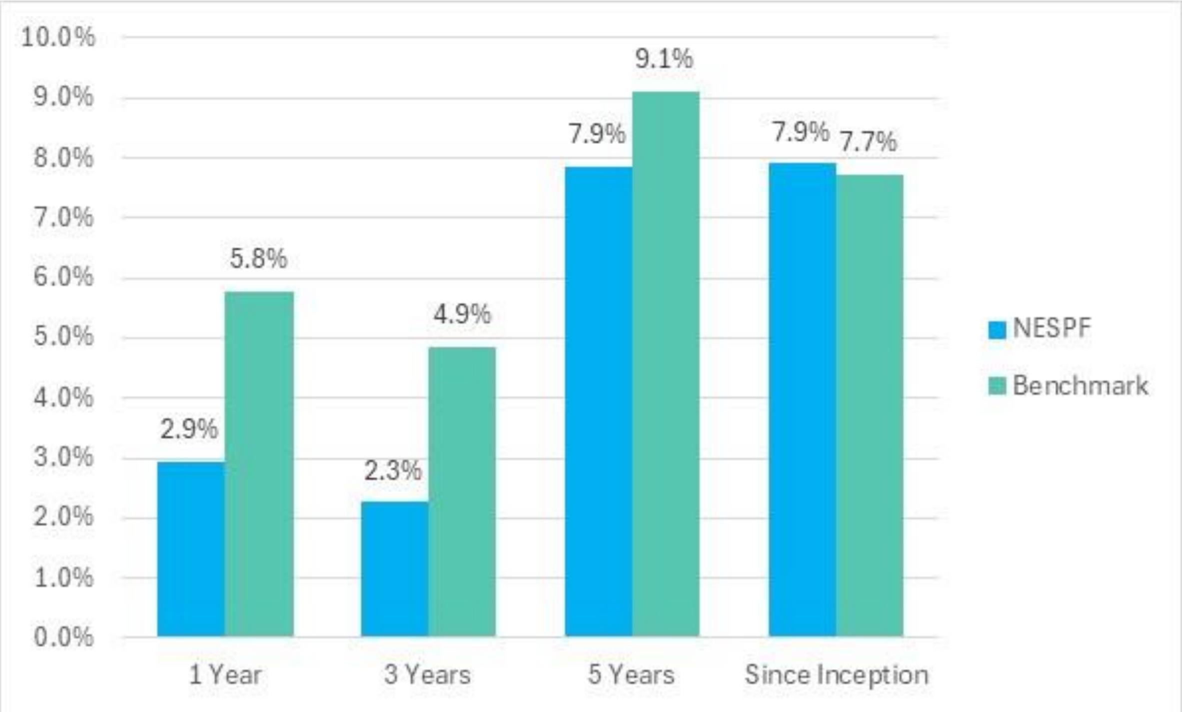
Equities	50.0% (range +/- 5%)
Alternative Assets (including private equity)	5.0% (range +/- 5%)
Bonds/Credit	22.5% (range +/- 5%)
Property/Infrastructure	20.0% (range +/- 5%)
Cash/Other	2.5% (range +/- 5%)

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.

9. Risk

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

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

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

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

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

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

Risk Management

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

10. Funding Strategy Statement

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

The purpose of the FSS is therefore:

a. To establish a clear and transparent Fund specific strategy which will identify show 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.

11. Statement of Investment Principles

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

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

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

The full statement is available at www.nespf.org.uk.

12. Environmental, Social and Governance Issues

Responsible Investment & Engagement

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

What does this look like in practice?

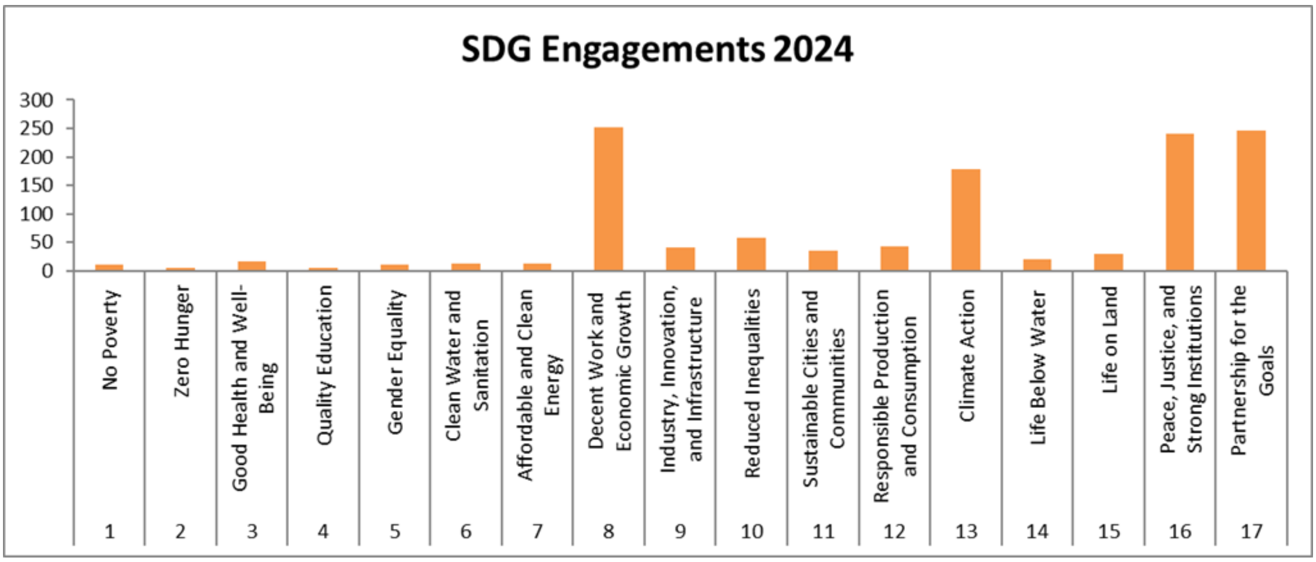
There are several things that we as an investor can do to make changes for the better.

<u>Collaboration</u>

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.lapfforum.org

Fund Managers

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

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

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

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 kilometre 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/

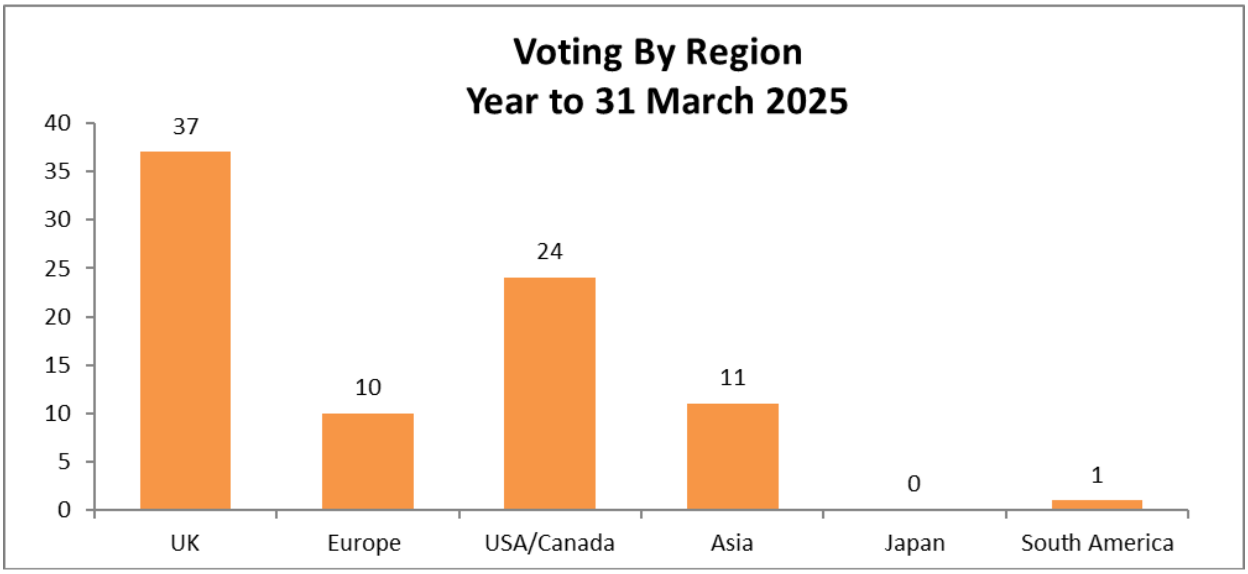
By working together, we and other investors can use our collective size to influence decision making and promote the highest standards of corporate governance and corporate responsibility.

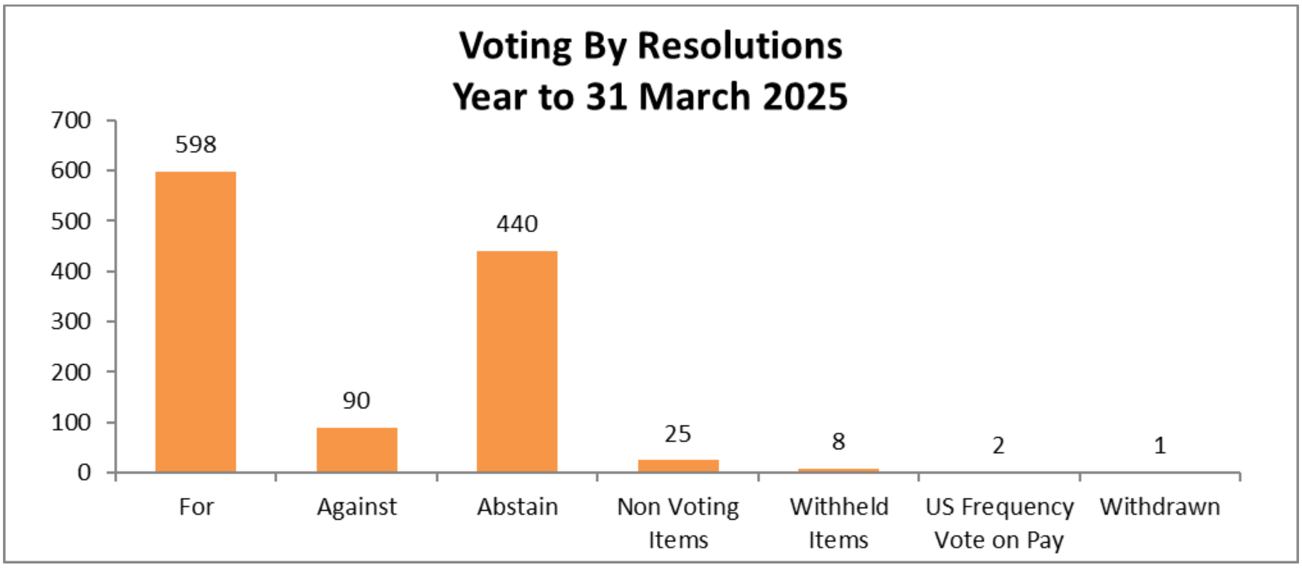
Voting

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.

13. Acknowledgement

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

Angela Scott	**Jonathan Belford, CPFA**	**Councillor John Cooke**
Chief Executive	**Chief Officer – Finance**	**Pensions Committee Convener**

On behalf of Aberdeen City Council.

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 20 June 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

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.

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: www.nespf.org.uk.

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	**Jonathan Belford, CPFA**	**Councillor John Cooke**
Chief Executive	**Chief Officer – Finance**	**Pensions Committee Convener**

On behalf of Aberdeen City Council

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	**Jonathan Belford, CPFA**	**Councillor John Cooke**
Chief Executive	**Chief Officer – Finance**	**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)	(126,964)
Net Return on Investments		**(532,616)**	**(211,630)**
Transfer In of ACCTF at Market Value	4b	**0**	**0**
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)**	**(87,828)**
Opening Net Assets of the Fund		**(5,803,777)**	**(6,236,899)**
Closing Net Assets of the Fund		**(6,236,899)**	**(6,324,727)**

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			
Bonds		0	0
Equities		2,431,401	2,016,921
Pooled Funds	11	2,516,109	2,743,399
Direct Property	15	381,000	383,190
Private Equity		500,286	549,906
Private Debt		129,789	90,601
Funds held by Investment Managers		137,659	409,611
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		**6,156,457**	**6,227,640**
Investment Liabilities			
Investment Purchases Amount Payable		(27,072)	(1,325)
Net Investment Assets		**6,129,385**	**6,226,315**
Insurance Buy In Contract	20a	127,000	122,379
Life Time Tax Allowance	20a	174	145
Long Term Assets		**127,174**	**122,524**
Current Assets	20b	16,607	14,348
Current Liabilities	20c	(36,267)	(38,460)
Net Current Assets/(Liabilities)		**(19,660)**	**(24,112)**
Closing Net Assets of the Fund		**6,236,899**	**6,324,727**

Jonathan Belford, CPFA
Aberdeen City Council, Chief Officer – Finance

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 £1,094,978,554 (31 March 2024 £1,084,758,078).

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 Council.

This amendment will not have an 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 adaptions 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 2024:

- 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 changed to reflect the new data available form the Continuous Mortality Investigation (CMI_2022). This has had the effect of reducing the liabilities by around £12m;
- The IAS 16 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 (£)
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	246
Pension Fund Committee	2	2
Pension Board	4	2
External Audit Fee	51	51
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	4,878	0		1,122	6,000
Pooled Funds	2,874	612			3,486
Property	825		1,143		1,968
Private Equity	998	2,926			3,924
Private Debt	1,129	664			1,793
Subtotal	**10,704**	**4,202**	**1,143**	**1,122**	**17,171**
				Custody Fees	165
				Grand Total	**17,336**

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**
Bonds	0	0	0	0	0
Equities	2,431,401	657,224	(1,092,575)	64,127	2,060,178
Pooled Funds	2,519,691	314,825	(122,816)	31,700	2,743,399
Property	381,000	22,504	(19,680)	(634)	383,190
Private Equity	536,556	49,380	(55,578)	19,548	549,906
Private Debt	132,524	(39,365)	0	(2,558)	90,601
	6,001,172	**1,004,568**	**(1,290,649)**	**112,183**	**5,827,274**
Other					
Cash	178,705				438,986
Investment Income Due	2,360				2,579
Investment Sales Amount Receivable	15,499				2,058
Investment Purchases Amount Payable	(25,236)				(1,325)
Net Investment Assets	**6,195,203**				**6,269,572**

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
Bonds	**0**	**0**
Equities - UK	392,251	296,697
Equities - Overseas	2,039,150	1,763,481
Equities	**2,431,401**	**2,060,178**
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	470,413
Pooled Funds	**2,516,109**	**2,743,399**
Direct Property	381,000	383,190
Private Equity	500,286	549,906
Private Debt	129,789	90,601
Other Investments	**1,011,075**	**1,023,697**
Funds held by Investment Managers	137,659	409,611
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**	**443,623**
Investment Assets Total	**6,156,457**	**6,270,897**
Investment Liabilities		
Investment Purchases Amounts Payable	(27,072)	(1,325)
Investment Liabilities Total	**(27,072)**	**(1,325)**
Net Investment Assets	**6,129,385**	**6,269,572**

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	1,051,063	16.6
BlackRock Asset Management	1,161,225	18.6	1,030,719	16.2
BlackRock Renewable Power III	62,552	1.0	75,895	1.0
Abrdn (Property)	391,347	6.3	390,139	6.1
Abrdn (Property Residential)	28,123	0.5	28,906	0.4
HarbourVest	330,500	5.3	380,066	6.1
ACC Loans Fund Deposit	41,150	0.7	29,375	0.4
Global Custodian	97,404	1.5	383,789	6.1
Partners Group	35,815	0.6	32,167	0.5
Maven Capital	22	0.0	8	0.0
Unigestion	81,411	1.3	84,204	1.2
Russell Multi Asset Credit	116,939	1.9	332,176	5.2
Aviva Infrastructure	95,466	1.5	57,766	1.0
Hermes Infrastructure	82,651	1.3	85,039	1.3
Alcentra	62,133	1.0	52,345	0.8
Hayfin Direct Lending	67,656	1.1	38,725	0.6
Insight Credit	380,542	6.1	371,476	5.8
Allianz Home Equity	24,420	0.4	24,558	0.4
IFM Global Infrastructure	309,587	5.0	309,587	5.0
Schroders	0	0.0	0	0.0
	6,129,385	**98.3**	**6,269,572**	**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	95,947	1.5
Net Assets	**6,236,899**	**100.0**	**6,365,534**	**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	8.77
MPF UK Equity Pooled Fund*	513,875	8.38	555,403	8.88
Insight Investment Mgt Global Funds*	380,542	6.21	371,476	5.94
MPF UK Index Linked Gilts*	342,868	5.59	407,799	6.52
IFM Global Infrastructure	308,067	5.03	318,497	5.09
HarbourVest Tranche L	265,487	4.33	243,173	3.89

*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)	(459)
Closing Balance	**381,000**	**383,190**

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 IAS 17, 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				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	2,060,178		
2,516,109			Pooled Funds	2,743,399		
500,286			Private Equity	549,906		
129,789			Private Debt	90,601		
	178,809		Cash		438,986	
	19,063		Other Investment Balances		4,637	
	143,781		Debtors		134,422	
5,577,585	**341,653**		**Subtotal**	**5,444,084**	**578,045**	
			Financial Liabilities			
		(27,072)	Other Investment Balances			(1,325)
		(36,267)	Creditors			(38,460)
		(63,339)				**(39,785)**
5,577,585	**341,653**	**(63,339)**	**Financial Instruments Total**	**5,444,084**	**578,045**	**(39,785)**
			Non-Financial Instruments			
381,000			Property	383,190		
5,958,585	**341,653**	**(63,339)**		**5,827,274**	**578,045**	**(39,785)**
		6,236,899	**Net Assets of the Fund**			**6,365,534**

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	112,818
	Financial Liabilities	
0	Fair Value through Profit and Loss	0
460,407	**Net Gains and Losses on Financial Instruments**	**112,818**
	Non-Financial Instruments	
(14,485)	Fair Value through Profit and Loss	(634)
445,922	**Net Gains and Losses of the Fund**	**112,184**

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

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

Level 1

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

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

Level 2

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

Level 3

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

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

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

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

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

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

Note 18a: Fair Value – Basis of Valuation

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

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

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

	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	
Values at 31 March 2025	**Level 1**	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Financial Assets at Fair Value through Profit and Loss	4,333,164		1,110,920	**5,444,084**
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)	**4,333,164**	**0**	**1,494,110**	**5,827,274**

	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	
Values at 31 March 2024	**Level 1**	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Financial Assets at Fair Value through Profit and Loss	4,492,827		1,084,758	**5,577,585**
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)	**4,492,827**	**0**	**1,465,758**	**5,958,585**

Note 18b: Transfers between Levels

There were no transfers between levels 1 and 2.

However, in 2024/25 £0m (£381m 2023/24) of Direct Property was transferred between levels 2 and 3, as a result of the basis of valuation used by the Fund's valuer.

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

	Market Value 31 March 2024	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	(3,715)	383,190
Infrastructure – Limited Partnership	458,265	13,334	0	0	(1,187)	470,413
Private Equity	536,555	49,380	(55,578)	30,086	(10,537)	549,906
Private Debt	132,524	(39,365)	0	0	(2,558)	90,601
Total	**1,508,344**	**45,854**	**(75,258)**	**33,167**	**(17,997)**	**1,494,110**

(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%	383,190	433,005	333,375
Infrastructure – Limited Partnership	26%	465,493	586,521	344,465
Private Equity	26%	542,617	683,697	401,537
Private Debt	26%	86,869	109,455	64,283
Total		**1,478,169**	**1,812,678**	**1,143,660**

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	296,697	16.1	344,465	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	465,493	26.0	586,521	344,465
Private Equity	542,616	26.0	683,696	401,536
Private Debt	86,869	26.0	109,455	64,283
Total	**5,428,142**		**6,455,931**	**4,400,352**

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	1,025,438	742,558
Overseas Equities	2,650,886	20.5	3,220,983	2,125,047
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	370,212
Private Debt	129,789	26.0	163,534	96,044
Total	**5,577,585**		**6,624,467**	**4,530,703**

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	438,986
Cash Balances	10	15
Bonds	840,348	1,111,450
Total	**1,019,167**	**1,550,451**

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	438,986	443,376	434,896
Cash Balances	15	15	15
Bonds	1,111,451	1,122,566	1,100,336
Total	**1,550,452**	**1,565,957**	**1,534,947**

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	662,929
Overseas Unit Trusts	1,109,217	1,807,422
Total Overseas Assets	**2,715,474**	**3,251,930**

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	662,929	731,873	593,984
Overseas Unit Trust	1,807,422	1,995,394	1,619,450
Total	**3,251,930**	**3,590,130**	**2,913,729**

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 £439,000,000 (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	397,449
Bank Deposit Accounts			
ACC Loans Fund Deposit	N/A	41,150	29,375
HSBC	AA-	22,093	12,161
Subtotal		**178,809**	**438,985**
Bank Current Accounts			
HSBC Bank	AA-	0	0
Virgin Money*	A-	10	15
		10	**15**
Total		**178,819**	**439,000**

*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 £1,478,169 which represented 23.5% of the Total Net Assets of the Fund (31 March 2024 £1,465,758,078 which represented 22.3% 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	2
Aberdeen Heat & Power	40	0	3
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	17

2023/24	Income		Debtors
	Contributions Receivable	Excess Pensions	Contributions Due
	£'000	£'000	£'000
Grampian Valuation Joint Board	686	23	55
Robert Gordon University	7,533	57	619

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 £437.893m (£430.249m 31 March 2024):

	Contractual Commitments	Undrawn Commitments
	£'000	£'000
HarbourVest	628,194	227,636
Partners Group	67,004	17,461
Maven (SLF)	6,585	23
Unigestion	137,990	69,222
AAM Residential Property	29,533	26,889
Hermes Infrastructure	90,552	9,447
Alcentra EDL	56,038	27,918
Hayfin DLF	100,000	48,129
Blackrock Renewable	66,102	11,168
Allianz Home Equity	25,000	0
IFM Global Infrastructure	150,000	0
Total	**1,356,998**	**437,893**

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 2025 following the completion of the triennial valuation to determine if any bonds needed to be put into place for the protection of the Scheme guarantors and the other participating employers as a whole. As a result of the bond review and the positive funding position it was determined that no amendments needed to be made at this time. A new review of any bond requirement will be carried out following completion of the next valuation in 2026

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

Note 26: Impairment for Bad and Doubtful Debts

The risk of employers being unable to meet their pension obligations is managed through the NESPF Termination Policy and the NESPF Employer Covenant Assessment Policy which are embedded within the Funding Strategy Statement. During 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 help 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 help at the date of exit, in accordance within 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. 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.	Direct Property £383m. Private equity £542m. Private Debt £87m. Pooled Infrastructure (Unquoted) £523m. 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

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

For and on Behalf of Hymans Robertson LLP

15 May 2025

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)	1,615	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 £3,800m. I estimate that the impact of the change in demographic assumptions is to decrease the actuarial present value by £12m.

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	4.15%	4.20%
Discount Rate	5.80%	0.00%

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

For and on Behalf of Hymans Robertson LLP

16 May 2025

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
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 Gomel Trust
Aberdeen Heat and Power
Aberdeen International Airport
Aberdeen Lads Club
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
Etiom
Fersands Area Forum
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 Housing 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
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
Scotch Malt Whisky Society
Scotland Excel Joint Committee
Scotonomics Podcast Youtube Show
Scottish National Party
Seven Incorporated Trades - Shoe Makers
SNP
Sport Aberdeen
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	286,591.00
2	71,647.50	71,647.50	71,647.50	71,647.50	286,592.00
3	71,647.50	71,647.50	71,647.50	71,647.50	286,593.00
4	71,647.50	71,647.50	71,647.50	71,647.50	286,594.00
5	71,647.50	71,647.50	71,647.50	71,647.50	286,595.00
6	75,229.88	75,229.88	75,229.88	75,229.88	300,925.52
7	75,229.88	75,229.88	75,229.88	75,229.88	300,926.52
8	75,229.88	75,229.88	75,229.88	75,229.88	300,927.52
9	75,229.88	75,229.88	75,229.88	75,229.88	300,928.52
10	75,229.88	75,229.88	75,229.88	75,229.88	300,929.52
11	78,991.37	78,991.37	78,991.37	78,991.37	315,976.48
12	78,991.37	78,991.37	78,991.37	78,991.37	315,977.48
13	78,991.37	78,991.37	78,991.37	78,991.37	315,978.48
14	78,991.37	78,991.37	78,991.37	78,991.37	315,979.48
15	78,991.37	78,991.37	78,991.37	78,991.37	315,980.48
Total					**4,517,495.00**

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