



North East Scotland Pension Fund

nespf

Strategy Report

Quarterly Reporting December 2025

1. Background

1.1 Quarterly Report to December 2025

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

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

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

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

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

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

2. Investment

2.1 Asset & Investment Manager Performance Report Investment Strategy Update Report

Separate reports, provided

2.2 Local Authority Pension Fund Forum (LAPFF)

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

3. Accounting

3.1 N/A

4. Benefit Administration

4.1 Pension Fund Annual Benefit Statements

Following on from the update to Committee in September (PC/SEPT25/STRAT), the annual benefit statement project has now been successfully completed.

Active benefit statements were issued electronically to members through My Pension+ by the statutory deadline of 31 August. Letters and emails were issued in advance to active members advising them that their statements were available to be viewed online and activation keys were issued to those members not already registered for My Pension+.

The Fund recorded 99.83% compliance for all benefit statements in 24/25 (active, deferred and Councillors). This is a decrease from the reported figure of 99.92% in 23/24. In terms of calculating the final percentage for reporting:

- 100% for deferred ABS were issued;
- 100% of ABS were issued for Councillors (both active and deferred); and
- 99.73% of active ABS were issued;

By the 31 August deadline.

For the active members 63 errors were reported in total, 44 of those were for members who joined the Scheme before 1 April 2025 but had not paid any pension contributions, i.e. joined mid March but didn't receive their first salary payment until the April payroll, therefore no CARE pay was held on the Altair benefit administration system. The other errors were mainly related to software limitations and incorrect information provided from employers.

In line with our Breaches Policy, the ABS result will be recorded on the Breaches Register but not reported to the Pensions Regulator as we do not deem the breach to be of material significance. Officers have already investigated the members' records which did not generate an annual benefit statement as per the above summary.

At present 546 (down 50 from 23/24) active and 564 (down 7 from 23/24) deferred members have opted in to receive traditional paper statements and letters will still be sent to members not registered for My Pension+. The cost of each ABS letter is approximately £1.53 compared to an email notification which is generally included in the hours provided by Radiator within the base annual cost. Overall the move to online benefit statements has delivered a cost saving for the Fund, we anticipate costs to continue to reduce as the process is streamlined and more members register for My Pension+.

With the move to the new online platform, the Fund required all members already registered for My Pension to complete a migration process in order to access their account on the new site. As of 31st

October 2025, 16,536 active members were registered, with 13,370 (79.14%) migrated to My Pension+ and 11,116 deferred members registered, with 7,875 (68.48%) successfully migrated.

A full review of the ABS project will be carried out by Officers in the coming months to guide future improvements.

4.2 Regulatory Updates

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

As a follow on from the update to the September meeting regarding the consultation by the Scottish Public Pensions Agency (SPPA) on amendments to the Local Government Pension Scheme (Scotland) Regulations 2018, Officers have prepared a response on behalf of the Pension Fund and will submit this prior to the deadline on 25th November 2025. The amendments cover a number of proposals relating to pension benefits for scheme members, including forfeiture, opt outs, removal of the age 75 limit for death benefit payments, gender pension gap reporting, McCloud and other technical amendments.

A copy of the draft response is attached at **Appendix II**.

4.3 Overpayment Write-off Request

Appendix III, attached (Exempt/Confidential)

5. Systems

5.1 Performance Reporting

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

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

Appendix IV, Pension Administration Strategy Report

6. Governance

6.1 Scheme Advisory Board

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

6.2 Document Updates

- **Breaches of Law Policy** (*information on tPR's Traffic Light System included within main body of Policy for greater clarity when determining material significance, updated example breaches register*).
- **Data Quality Improvement Plan** (*The DQIP has been reviewed for the period to 31 March 2026. It includes updated quality scores for 2024 & 2025 and an update on the intention to carry out a tracing exercise for "gone away" members in early 2026. The Plan will be reviewed again at the end of 2026. A copy is attached at **Appendix V***).

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

6.3 Overseas Travel

With the Pension Fund's increasing allocation to alternatives which usually come in the form of Funds/Fund of Funds there is a requirement for greater due diligence and scrutiny given the nature of these investments being privately owned. Following the Fund's continued commitment to the likes of HarbourVest and Blackrock, overseas travel has been previously authorised and will be required going forward as these companies continue to be global investors, globally headquartered and with global clients.

The vast majority of private investment funds have limited partner advisory committees, these committees are composed of representatives of the limited partners, usually significant institutional limited partners/clients, dealing with a number of issues regarding conflicts, investment restrictions, general oversight and using the committee as a sounding board for other matters.

As stated due to increased allocation from the Pension Fund to alternatives, depending on the level of commitment, the Fund will request or be invited to accept a position on the Advisory Committee.

Advisory Committees are officer lead and by invitation/request only, managers seek to appoint officers from their clients that have significant experience with the industry to ensure meaningful scrutiny and challenge.

Officers and elected members have clear statutory responsibilities for the management and investment of the Pension Fund, part of those responsibilities is to monitor and review external managers' performance. This is usually achieved by means of regular reporting, presentations to officers/members and attending client conferences.

The Advisory Committee is additional to the above and provides the Pension Fund with greater access to the Manager and the management of those investments and access to the

General Partners (underlying assets). Given the increased value of commitments within this asset class, this type of forum strengthens the governance arrangements for the Fund together with the Fund Manager.

Officers recommend the approval for overseas travel to the following Advisory Committees:

1. Partners Group, 14-17 April 2026 - Abu Dhabi
2. HarbourVest, 11-13 May 2026 - Boston
3. RCP, 13 May 2026 - Chicago
4. Blackrock, June 2026 - New York
5. Unigestion, 24-26 June 2026 - Zurich
6. Blackrock, September 2026 - Europe
7. IFM, 19-21 October 2026 - Houston
8. Capital Dynamics, Date and Location **TBC**

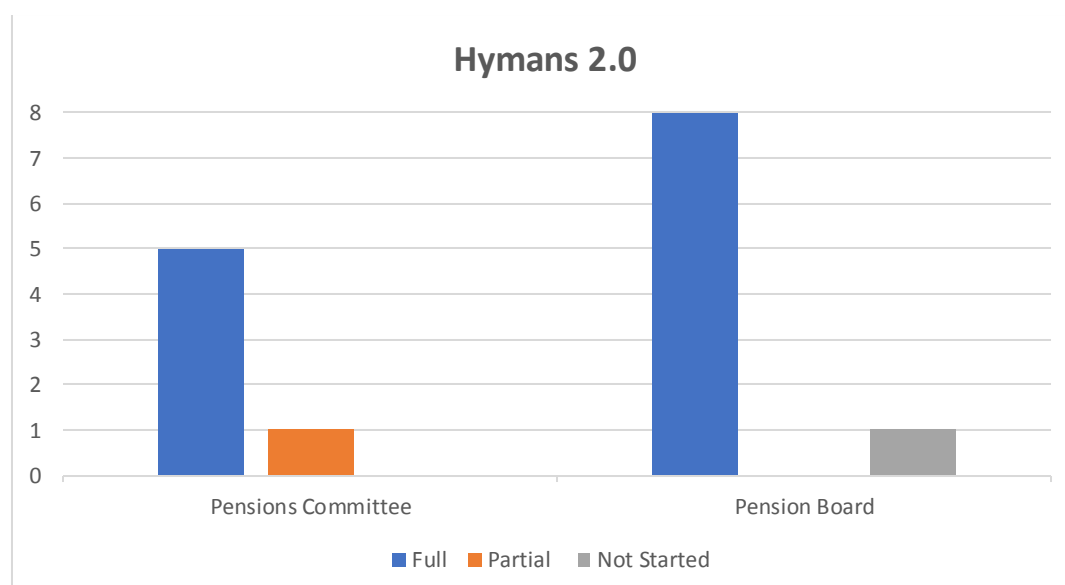
Approval is requested for one appointed Advisory Committee Officer (Pension Fund Manager or suitable experienced officer substitute) to attend.

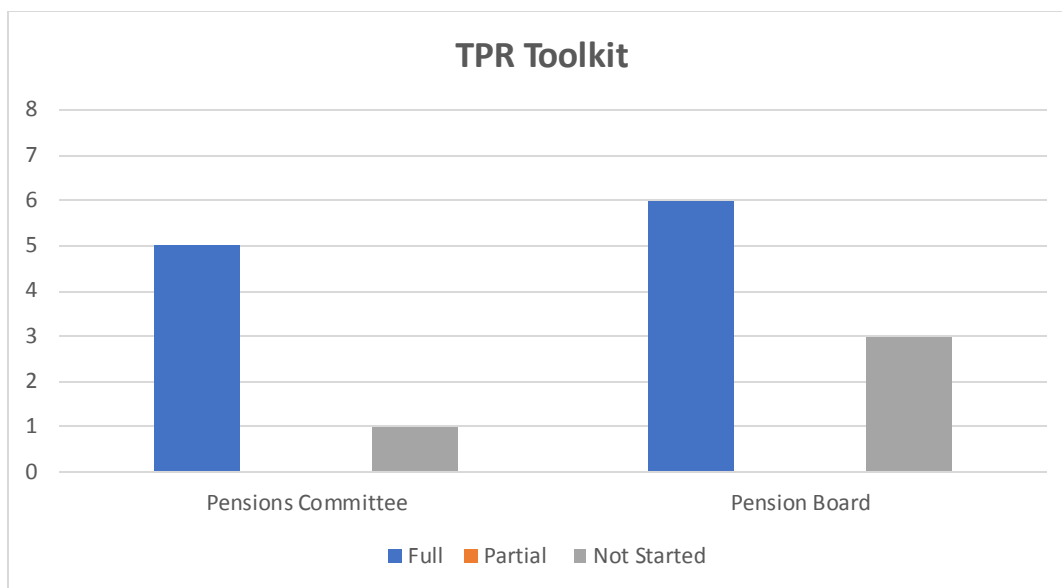
Most travel costs are covered by the individual Fund Managers, these Committees are perceived to be of great value by the Fund Managers providing additional governance and transparency, some are also rotated to the UK to deliver a balance to all global clients.

6.4 Training Update

At the September Pensions Committee and Board meeting, Audit Scotland presented their Annual Audit Report 2024/2025. One of the Key Messages from this report, carried over from last year's report, was around members' training to support good scrutiny.

In terms of an update on mandatory training, the below summaries for both Hymans LOLA and the Pensions Regulator's Toolkit, chart the number of individuals who have fully completed the training, partially completed or are yet to start:





The below tables provide a further breakdown by individual member as at 03/10/2025:

Board Member	Hymans 2.0	TPR Public Service Toolkit
Cllr David Cameron	✓	✓
Cllr Stephen Smith	✓	✓
Morag Lawrence	✓	✓
Alan Walker	✓	✓
Gordon Walters	✓	X
Neil Stirling	✓	✓
Stuart Thompson	✓	X
Cllr David Gordon	✓	X
Kenny Luke (Sub)	X	✓

Committee Member	Hymans 2.0	TPR Public Service Toolkit
Cllr John Cooke	✓	✓
Cllr Neil MacGregor	✓	✓
Cllr Dell Henrickson	✓	✓
Cllr Duncan Massey	✓	✓
Cllr Kairin van Sweeden	✓	✓
Cllr Derek Davidson	<i>Partial</i>	X

Fund Officers regularly seek feedback from Committee and Board on both Hymans LOLA and tPR's Public Service Toolkit. This feedback assists Officers in making decisions around mandatory training and during contract reviews.

Most recently, a training session was organised on 12th August 2025, with a representative from the Pensions Regulator for Committee and Board members. This informative session covered the role and approach of tPR in relation to public sector schemes, the General Code and breach reporting.

6.5 Operating Model Review, Short Term Recommendations, Delivery Plan and Objectives

Background

A business case was approved in February/March 2024 to procure an Operating Model Review via direct award to ensure Aberdeen City Council, as the Administering Authority of the North East Scotland Pension Fund, can meet its statutory duty to deliver a regulatory compliant and efficient Local Government Pension Scheme (LGPS).

The Fund set out a scope for the review and a comprehensive report was prepared by Hymans Robertson in September 2024.

Outcome

Executive Summary (Hymans Robertson)

Summary of findings, conclusions and next steps

North East Scotland Pension Fund (“the Fund”) requested an in-depth review of their operating model and its effectiveness. Our analysis is based on interviews with stakeholders, review of Fund documents, comparison with operating models in the LGPS and analysis of performance metrics to answer the question: - is the operating model sustainable?

The Fund’s existing operating model¹ allows it to deliver against its primary objective of providing a high-quality service to its Local Government Pension Scheme (LGPS) members. There was strong agreement from everyone we interviewed that the Fund delivers a good standard of service to both members and employers and current KPI’s provide the evidence that this is the case.

However, the Officers advised that a higher standard of service could be achieved through innovation and addressing core interactions between the Council and the Fund. Concerns were raised about the sustainability of service levels if the Fund’s operating model is not adjusted.

We recommend the immediate next steps for the Fund:

- 1. Increasing the autonomy and accountability for specific functions, including:*
 - a. HR support e.g. recruitment and employee contracts*
 - b. Procurement*

¹ The current operating model is a traditional LGPS fund operating model i.e. the Fund operations are held within the Finance department of the Council and requisite support operations are initially sourced from other Council departments e.g. Legal, HR, IT. It is also tied to the ‘host’ Council HR, salary and procurement decisions.

- c. *Legal support*
 - d. *IT / Technology / Systems*
2. *Developing bespoke internal policies and/or procedures that are tailored to the Fund to better meet its needs, instead of Council-wide policies i.e. travel policy, procurement, mandatory training.*

(delivery plan objective – 4 & 7)

3. *Separation from the Council pay scales and salary banding, particularly for more senior staff, to aid recruitment and retention of staff.*

(delivery plan objectives – 1)

4. *Educating other Council departments to ensure that the specialist nature of the work done by Officers and the Fund is recognised and understood. This also means ensuring the Committee and Board are aware of any issues which could be addressed to help the Officers administer the Fund more effectively.*

(delivery plan objectives – 5 & 6)

5. *Conducting a workforce planning exercise, to include succession planning over the longer term, and allowing for the anticipated delivery requirement over the coming years.*

(delivery plan objectives – 1 & 2)


Delivery Plan, Objectives.

1. Improve HR Support and Recruitment Processes.

- a. Meet with HR to review and streamline recruitment process.
- b. Propose a dedicated HR liaison/resource for the Fund.
- c. Explore exemption from internal redeployment.
- d. Propose longer notice periods for senior Fund staff.

- e. Support workforce planning and succession review (Restructure).
- f. Support the review of all JP and re-evaluations.

Success Indicators;

Regular meetings  , reduce recruitment time, dedicated HR resource, restructure implemented, revised T&C's

2. Enhance Training and Development.

- a. Review and update induction training.
- b. Identify future skills requirements (AI, Cyber, Risk).
- c. Develop tailored training plans.
- d. Introduce continuous learning pathways.


Success Indicators;

New training plan implemented, positive feedback, aligned with future requirements.

3. Strengthen Legal and Procurement Support.

- a. Propose in house and external legal advisors.
- b. Develop Fund specific procurement guidance.
- c. Dedicated procurement contact.
- d. Deliver training to procurement on Fund requirements.

Success Indicators;

External legal tender completed  , Legal support response time improved, Legal & Procurement SLA's.

4. Increase Fund Autonomy in Policy and Operations.

- a. Identify Council wide policies that hinder Fund operations.
- b. Draft Fund specific policies, (travel, IT, training).
- c. Delegated authority for IT and travel.


Success Indicators;

Fund specific policies, delegated authority  , cyber risk plan adopted.

5. Improve IT support.

- a. Schedule regular meetings.
- b. Improve the knowledge and understanding of the Fund and the council's requirements and capabilities.
- c. Review cyber risk strategy tailored to the Fund.

Success Indicators;

Regular/quarterly meetings  , education, revised tailored policies and procedures.

6. Build stronger relationships with the Council.

- a. Schedule regular cross function/cluster meetings.
- b. Develop understanding of the Fund's self-funding model.
- c. Establish service level expectations.
- d. Promote Fund's strategic priorities and challenges.

Success Indicators;

Quarterly meetings, escalation protocols, management reporting, KPI's.

7. Review and update Fund policies.

- a. Audit current Fund policies.
- b. Identify gaps, outdated and update.
- c. Assign policy owners and review cycles.

Success Indicators;

Policies reviewed and updated, policies ownership assigned, review schedule implemented.

Recommendation

To note the short term recommendations and delivery plan.

7. Employer Relationship

7.1 National Dashboards

In accordance with the requirements of the Pensions Dashboard Programme the Pension Fund, as a public sector pension arrangement, connected to the dashboards on 31 October 2025 using our

Integrated Service Provider, Heywoods. In addition, our AVC providers Prudential and Standard Life confirmed that their connection was established and the AVC contracts for the Pension Fund were connected using our registration codes.

Administratively, there will be no real impact of connecting to the dashboards until there is increased testing by the wider public. However, we are 'ready' for both the testing phase and the dashboard available point which will be announced 6 months in advance of the launch.

7.2 Tracing Exercise – “Gone Away” Members

Having last undertaken a tracing exercise in 2023, the numbers of untraceable members known as 'Gone Aways' has been steadily increasing. Ahead of the implementation of National Dashboards, and in accordance with governance requirements we are looking to carry out another exercise to trace our gone aways and ensure our data is as accurate as possible.

We currently have 1444 individual members who are marked as Gone Away which includes 459 members with unclaimed refunds with a combined total of £303,511 to be paid out to them.

The 2023 exercise where we used Target as the provider had a success rate of around 60%. As part of this exercise all addresses were required to be verified before we could update the member records. Around 460 members 'traced' by Target remain unverified as a result of there being no response from the member during the verification process. These members are included in the 1444 gone aways.

We are therefore proposing a two stage tracing exercise:

The first step would be for the Fund to carry out another targeted mailing to the members who did not reply last time around. By providing targeted communications we aim to provide comfort and confidence to the members to reduce the risk of any assumptions around scams and increase the level of engagement.

Once this has been completed, we will move to stage two where a provider will be selected from the Framework for a direct award based on service requirements and cost. The cost of this exercise is estimated to be up to £17,000, depending upon the response rate to Stage 1. This would be a standard training exercise to include any verification requirements.