North East Scotland Pension Fund

Annual Report & Accounts

For the period 1 April 2022 to 31 March 2023

Contents

Management Commentary

1. Foreword

As Convener of the Pensions Committee, I am pleased to introduce the 2022/23 Annual Report and Accounts.

On 1 April 2022, the Aberdeen City Council Transport Fund (ACCTF) merged with the North East Scotland Pension Fund (NESPF). This was the final step to manage the risk around ACCTF liabilities and the reducing membership profile. Merging the Funds also reduces the administrative burden as one set of accounts will be required annually in addition to a single triennial valuation exercise.

Although last year was unaffected by COVID-19 restrictions, 2022/23 was a turbulent year, not least because of issues such as the Russian invasion of Ukraine, Brexit, the Cost of Living Crisis, the fall in the value of the pound, and increasing interest rates.

These financial challenges affected the Fund, by decreasing the Net Asset Value from £5,926m to £5,804m as at 31 March 2023.

In such uncertain times, it is imperative that the Fund maintains its long term approach which has provided stability for members over many years. Our diversified portfolio helps minimise the financial impact by spreading the risk of exposure to any one investment area or stock. The Fund is also increasingly focusing on how we can contribute to moving towards tackling climate change.

Administratively, the Fund continued its move towards digital communication and processes. Membership of “My Pension”, which provides member information and support, increased by 7%. Annual Benefit Statements (ABS) continued to be issued digitally and bulk processing was introduced as another step towards improving efficiency.

Looking ahead to 2023/24, the Fund will continue to focus on developing services by maintaining data quality, increasing member engagement and performance monitoring.

My sincere thanks to my colleagues on the Pensions Committee and Pension Board, our advisors and, above all, our staff for their hard work and efforts during the year.

Councillor John Cooke

Councillor John Cooke
Pensions Committee Convener

17 September 2023

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.

Previously, the North East Scotland Pension Funds comprised of two funds;

1. **The North East Scotland Pension Fund (NESPF)**

2. **The Aberdeen City Council Transport Fund (ACCTF)**

However, on 1 April 2022, the ACCTF merged with the NESPF. The comparative figures in the primary statements are for the NESPF only.

As at 31 March 2023, the newly merged NESPF has an asset value of nearly £5.8 billion and 76,878 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 interests, 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 2022/23

Administering Authority	Aberdeen City Council
Committees	Pensions Committee, Pension Board
Chief Officer – Finance	Jonathan Belford
Actuary	Mercer
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 thirteen elected members of Aberdeen City Council each with equal voting rights. Following the May 2022 elections, the Committee increased from 9 to 13 members after a Governance structure review. As at 31 March 2023, the Committee had three vacancies.

Membership 2022/23

Name	Member as at 31 March 2022	Joined	Left	Member as at 31 March 2023
Cllr John Cooke*	Yes			Yes
Cllr Neil MacGregor*	Yes			Yes
Cllr Dell Henrickson	Yes			Yes
Cllr John Wheeler	Yes		04/05/2022	
Cllr Philip Bell	Yes		04/05/2022	
Cllr Steve Delaney	Yes		04/05/2022	
Cllr John Reynolds	Yes		04/05/2022	

Name	Member as at 31 March 2022	Joined	Left	Member as at 31 March 2023
Cllr M. Tauqeer Malik	Yes		05/10/2022	
Cllr Barney Crockett	Yes		11/11/2022	
Cllr Alison Alphonse		05/05/2022		Yes
Cllr Sarah Cross		05/05/2022		Yes
Cllr Derek Davidson		05/05/2022		Yes
Cllr Duncan Massey		05/05/2022		Yes
Cllr Ciaran McRae		05/05/2022		Yes
Cllr Christian Allard		25/10/2022		Yes
Cllr Jennifer Bonsell		11/11/2022		Yes
Cllr Donna Clark		05/05/2022	31/10/2022	
Cllr Deena Tissera		05/05/2022	11/11/2022	
Cllr Mrs. Stewart		05/05/2022	01/03/2023	
Cllr Nurul Hoque Ali**		05/10/2022	10/11/2022	
Cllr Gordon Graham***		11/11/2022	15/12/2022	
Cllr Ross Grant***		11/11/2022	15/12/2022	
Total	**9**	**13**	**(12)**	**10**

Notes:
* Councillor Cooke held the position of Convener and Councillor MacGregor held the position of Vice Convener.

** Councillor Ali joined the Pensions Committee on 5 October 2022 and resigned 10 November 2022. There were no Committee meetings during his appointment.

*** Councillor Graham and Councillor Grant joined the Pensions Committee on 11 November 2022 and resigned on 15 December 2022. There were no Committee meetings during their appointment.

**** Two Committee vacancies were filled by Councillor Van Sweeden and Councillor McLellan on 7 June 2023.

Meeting Attendance in 2022/23

Name	24/06/22	05/10/22*	16/12/22	24/03/23	Overall Attendance
Cllr John Cooke	✓	✓	✓	✓	**100%**
Cllr Neil MacGregor	✓	✓	✓	✓	**100%**
Cllr Dell Henrickson	✓	✓	✓	✓	**100%**
Cllr M. Taqueer Malik	✓	✓	N/A	N/A	**100%**
Cllr Barney Crockett	✓	✓	N/A	N/A	**100%**
Cllr Alison Alphonse	✓	✓	✓	✓	**100%**
Cllr Sarah Cross	✓	✓	**X**	✓	**75%**
Cllr Derek Davidson	✓	✓	✓	✓	**100%**
Cllr Duncan Massey	✓	✓	**X**	✓	**75%**
Cllr Ciaran McRae	✓	✓	✓	✓	**100%**
Cllr Christian Allard	N/A	N/A	✓	✓	**100%**
Cllr Jennifer Bonsell	N/A	N/A	✓	**X**	**50%**
Cllr Donna Clark	✓	✓	N/A	N/A	**100%**
Cllr Deena Tissera	✓	✓	N/A	N/A	**100%**
Cllr Mrs. Stewart	✓	✓	**X**	N/A	**75%**

Notes:

* The September Committee Meeting was delayed until 5 October 2022.

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 2022/23

Admitted/Scheduled Bodies
Mr Ian Hodgson - First Bus (Chair)

Unison
Morag Lawrence (Vice Chair) (Substitute: Kenny Luke)

GMB
Neil Stirling

Unite
Alan Walker

UCATT
Gordon Walters

The Moray Council
Councillor Graham Leadbitter

Aberdeenshire Council
Councillor Stephen Smith

Aberdeen City Council
Councillor Jessica Mennie (Substitute: Councillor Neil Copland)

Meeting Attendance in 2022/23

Name	24/06/22	05/10/22	16/12/22	24/03/23	Overall Attendance
Ian Hodgson	✓	✓	X	✓	**75%**
Morag Lawrence	✓	✓	✓	✓	**100%**
Neil Stirling	✓	✓	✓	✓	**100%**
Alan Walker	✓	✓	✓	✓	**100%**
Gordon Walters	✓	✓	✓	✓	**100%**
Cllr Graham Leadbitter*	**N/A**	✓	✓	✓	**100%**
Cllr Stephen Smith	✓	✓	✓	✓	**100%**
Cllr Jessica Mennie	**Sub**	**Sub**	✓	✓	**100%**

Notes:

* Councillor Leadbitter was appointed to the Pension Board on 19 July 2022.

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 2022/23 no issues were reported by the Board to the Pensions Regulator.

The Annual Report of the Pension Board, which reviews its activity for the year, is available on our website www.nespf.org.uk.

Committee and Board Conflicts of Interest

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

Every 12 months all individuals complete a 'Declaration of Interest' form to either confirm that the information held on the Register is correct or to update their declaration, as necessary.

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.

Committee and Board Training 2022/23

While 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. In accordance with the Training Plan, Committee and Board members are expected to 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.

In 2022/23, attendance for both Pensions Committee and Pension Board members' training is shown below;

Name	No. of Training Sessions Attended	Training Sessions Attended (See below for corresponding training sessions)					
Pensions Committee							
		A	B	C	D	E	F
Cllr John Cooke	4	✓		✓		✓	✓
Cllr Neil MacGregor	4	✓		✓		✓	✓
Cllr Dell Henrickson	5	✓		✓	✓	✓	✓
Cllr M. Taqueer Malik	1	✓		N/A	N/A	N/A	N/A
Cllr Barney Crockett	1	✓			N/A	N/A	N/A
Cllr Alison Alphonse	1	✓					
Cllr Sarah Cross	2	✓				N/A	✓
Cllr Derek Davidson	2	✓				✓	
Cllr Duncan Massey	3	✓				✓	✓
Cllr Ciaran McRae	1	✓					
Cllr Christian Allard	2	✓	N/A	N/A		✓	
Cllr Jennifer Bonsell	2	✓	N/A	N/A		✓	
Cllr Donna Clark	1	✓			N/A	N/A	N/A
Cllr Deena Tissera	1	✓			N/A	N/A	N/A
Cllr Mrs. Stewart	1	✓				N/A	N/A
Pension Board							
Ian Hodgson	0						
Morag Lawrence	5		✓	✓	✓	✓	✓
Neil Stirling	4			✓	✓	✓	✓
Alan Walker	5		✓	✓	✓	✓	✓
Gordon Walters	3				✓	✓	✓
Cllr Graham Leadbitter	2	N/A		✓	✓		
Cllr Stephen Smith	1	N/A				✓	
Cllr Jessica Mennie	1	✓					

Notes:

- Councillor Leadbitter has Fund experience from being on a previous Investment Committee. He was provided with a copy of the introductory NESPF slides for review.

- The June'22 Committee noted that Committee and Board members must complete the Hymans online training by March 2023 and to complete subsequent updates thereafter.

- Councillor Cooke, Councillor MacGregor and Morag Lawrence also completed various external training which was relevant to the Fund.

Training Sessions:

A. **Elected Member Training – Various Dates**
Pensions Manager, Laura Colliss hosted an introductory session for newly elected City Council members. Current Pensions Committee members were also invited as a refresher course. Topics covered included governance structure, legislation, Scheme governance and pension regulators.

B. **PLSA Investment Conference – 25-26 May 2022**

Held over two days, this event covered a range of topics including:
- Investment strategies;
- Managing investment reporting for TCFD;
- ESG.

C. **LGC Investment Seminar – 20-21 October 2022**
Held over two days in Edinburgh, this event covered a range of topics including:
- Social Investing;
- Exploring Investment Opportunities;
- Emerging Markets.

D. **PLSA: Implementing TPR's New Code of Practice - 28 March 2023 (Webinar)**
This webinar covered the next steps to apply The Pension Regulator's (TPR) new Code of Practice, which aims for a single, clear, up to date and consistent source of information on Scheme governance.

E. Net Zero Discussion Training – 30 March 2023

Investments Manager Graham Buntain hosted a discussion training session for Pensions Committee and Board Members. This session covered a range of sub topics within Net Zero, including:

- Environmental factors within ESG;
- Scope Emissions;
- Carbon Scoring.

F. Hymans Robertson LGPS Online Learning Academy

Hymans online Learning Academy covers a range of modules, including the following topics:

- **Introduction**
  Introduction to the LGPS, Role of Elected Members on Committee;
- **Governance and Regulators**
  LGPS Governance, LGPS Oversight Bodies and Regulators, Business Planning;
- **Administration and Management**
  Introduction to Administration, Policies and Procedures, Public Procurement, Additional Voluntary Contributions, Accounting and Audit;
- **Funding and Actuarial Matters**
  Introduction to Funding Strategy, LGPS Actuarial Valuation (Process & Technical Aspects) and LGPS Employers;
- **Investments**
  Introduction to Investment Strategy, Performance Monitoring, Responsible Investment and Revision to Markets in Financial Instruments Directive, i.e. MiFID II;
- **Current Issues**
  McCloud, Goodwin and Cost Sharing.

5. Administration and Performance

The report for this year focuses on the continued move towards digital communication and processes, administration performance and improvements delivered. The report also discusses merging the Transport Fund into the NESPF, employer data provision and the quality of data held by the Fund.

Going Digital

The Fund's member self service portal, My Pension, continued to be a key tool in providing member information and support throughout 2022/23.

Membership of My Pension continues to grow and as at 31 March 2023 there were more than 37,000 members (+7%) registered for My Pension with 16,722 active members, 11,034 deferred members and 9,284 pensioner members signed up.

In the last 12 months, 48,036 calculations (+10.8%) have been performed on My Pension with 4,979 updates (+26.6%) processed on the system, demonstrating continued widespread use of the site.

In 2022 it was announced that the next iteration of My Pension was being developed by Heywood Pension Technologies (HPT), referred to as the Transformational Member Experience (TME). TME offers a much improved user experience, increased member engagement and aims to reduce the administration effort of the Pension Fund.

During the year, the Fund has actively participated in a few TME development workshops held by HPT. These sessions explored existing issues within the My Pension portal, enhancement opportunities and proposed designs for the successor product.

Following discussions, the NESPF signed up to be the first early adopter of TME. Implementation began in February 2023, with testing commencing in March. The Fund anticipates being live with the new platform in Summer 2023, ahead of benefit statements.

Annual Benefit Statements

The Fund continues to issue Annual Benefit Statements (ABS) digitally through My Pension.

Providing statements online has several advantages including:

- Greater segmentation of members - individuals only receive information relevant to themselves;
- Reduced costs – with most statements and ABS notifications being issued electronically, there has been a significant drop in print and mail costs;

- Reduced environmental impact – issuing statements online saves around 145,500 sheets of paper each year;
- 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 modify its approach to maximise engagement.

The overall percentage achieved for providing benefit statements to more than 43,000 active and deferred members prior to the 31 August deadline was 98.31% (99.64% in 2021/22).

Pension Administration Strategy (PAS)

In December 2022, a revised PAS was approved by the Pensions Committee following a full consultation.

The aim of the PAS is to aid the delivery of high quality pension administration for the members of the Fund on behalf of its participating employers.

The underlying objectives are:

- To provide high quality pension service delivery;
- Paying pensions and calculating benefits due accurately and on time;
- Good working relationships between the North East Scotland Pension Fund (NESPF) and its participating employers;
- Delivery of the Local Government Pension Scheme (LGPS) requirements in line with the Scheme regulations and compliance around the Codes of Practice put in place around service delivery and service standards.

Processing Performance

Key performance measurement	Target	Work Volume	Target Achieved	2022/23	2021/22
Letter notifying death in service to dependant	5 days	44	36	82%	90%
Letter notifying retirement estimate	10 days	507	480	95%	97%
Letter notifying actual retirement benefit	10 days	2,126	1,903	90%	86%
Letter notifying deferred benefit	10 days	1,911	1,842	96%	92%
Letter notifying amount of refund	10 days	1,386	1,351	98%	96%
Letter detailing transfer in quotes	10 days	129	88	68%	60%
Letter detailing transfer out quotes	10 days	440	277	63%	58%
Total		**6,543**	**5,977**	**91%**	**88%**

KPI Performance

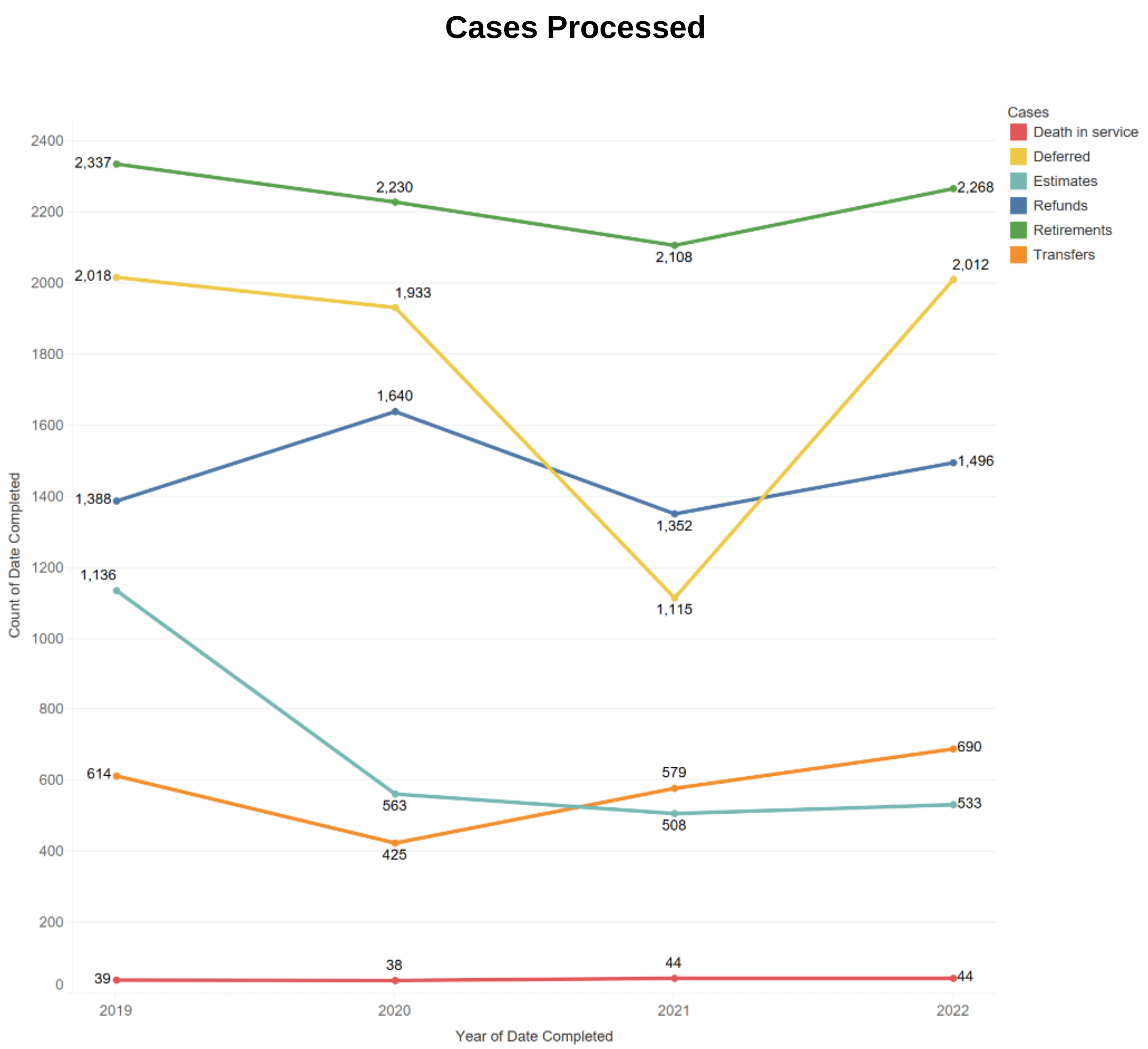
This year saw almost 900 additional cases completed with the overall percentage achieved above 90% for the first time since 2019/20.

Work continues to increase efficiency and improve member outcomes with teams delivering incremental development through regular project work.

2022/23 saw introduction of bulk processing for 542 members leaving with deferred benefits, the estimated efficiency saving is 15 minutes per member. A new retirement process was introduced for active members leaving the Scheme who can access their retirement benefits early. It is more efficient to stop pursuing those who had not responded and process a deferred benefit instead using the new bulk processing option. Both improvements contributed to the significant increase in cases processed during the year.

Improvements in reporting were delivered using Insights business intelligence software which allows officers to create dashboards displaying real time information. This removes the requirement to run constant reports. Insights also delivers preventative measure reporting by creating email alerts that are automatically generated when user defined scenarios occur in real time.

Processing Volumes



The number of cases processed over the last four years shows a return to pre pandemic volumes. The only exception to this is a consistent reduction in estimate requests with evidence suggesting that members are continuing to self serve online through My Pension.

McCloud Remedy

NESPF continued to engage with employers to ensure data held is accurate for members who qualify for revised protection following the McCloud age discrimination ruling. Software development continues to be rolled out with solutions tested over several releases for calculating and recording results on the pension administration system. Based on draft regulations, the Fund has 16,000 eligible members and all testing carried out since December 2021 ensures that the Fund are in a good position to deliver the remedy when final regulations come into force from October 2023. The Pensions Committee and Board continue to be advised of progress through a dashboard which is included in the quarterly PAS reporting.

Underpin Calculation Status	Values
Eligible members ready for underpin calculation	403
Underpin calculation completed	0

The 403 members represent 29 employers that are ready for the revised underpin calculation.

Merge of the Aberdeen City Council Transport Fund into the North East Scotland Pension Fund

A large scale risk management exercise has been undertaken over the last few years in relation to liabilities held in the Aberdeen City Council Transport Fund (ACCTF.) This exercise included a merge of the Strathclyde No.3 Fund into the ACCTF, procurement of an Insurance Buy In and securing an intercompany guarantee from the participating employer and the wider organisation (First Bus North). In addition, a long term de risking flight plan is in place around the investment strategy for the assets held within the ACCTF.

The final step to manage the risk around the maturing Fund and reducing membership profile was to merge the ACCTF into the main fund. This would transfer Net Assets of £290m and approximately 1.5k members into the NESPF. The Pensions Committee resolved to merge the Funds with effect from 1 April 2022 following a committee report which highlighted the benefits including managing the risk as well as providing other savings such as reducing the administrative burden, producing one set of Annual Accounts and a single triennial valuation exercise for the Scheme Actuary.

This decision to merge the liabilities is viewed as a positive development by the Government Actuaries Department as part of their report on Section 13 (of the Public Service Pensions Act 2013) requirements for LGPS (Scotland) in relation to solvency.

Employer Data Provision

In 2022/23, good quality, timely data for all active members was provided by the participating employers of the NESPF through the secure online portal, i-Connect. The information uploaded monthly directly updates our member database with starters, leavers, contributions and pay information and ensures that each member's personal details are kept up to date.

Data Events	Values
Starters	6,876
Leaving	5,005
Employee, Employer and Additional Contributions	338,460
Care Pay	322,659
Salaries	337,599
Other Events	59,523

Over the year more than 1 million data 'events' have been uploaded to the NESPF pension database.

The use of i-Connect for data collection has provided substantial benefits to the Fund over the last few years ensuring that 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 the annual benefits 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, applying the McCloud underpin and other regulatory requirements.

The Fund continues to engage with its participating employers, the system provider and other pension administration teams around the development of i-Connect to ensure that it continues to meet the data requirements and the ever changing needs of the LGPS.

Data Quality

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

The information held by the Fund is consistently of a high quality and this is due to the method of data collection, checking and reconciliation work. This high quality data 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 (TPR) Annual Scheme Return are determined by our data analysis tool, Insights. A suite of reports and results allow us to assess the data held against several parameters allowing for direct comparison against previous years and other LGPS Funds.

The scores for Annual Scheme Returns are as follows:

Data Type	2021	2022	Target
Common Data	98.1%	97.9%	100%
Scheme Specific Data	98.8%	99.2%	100%

The 2022 common data score has reduced by 0.2% from 2021. This is because of an increase in the number of ‘gone away’ members that are held on the administration database. The large scale tracing exercise, planned for 2020, has been delayed due to the pandemic and contract negotiations. Once those outstanding issues are resolved, it is expected that the tracing and verification of these members will improve the data scores significantly.

The increase in the Scheme specific data score is because of work undertaken within the Fund to improve and correct historical data.

The continuation of the NESPF data quality improvement plan should help maintain the quality of the data held and further improve the data scores.

6. Financial Performance

2022/23 at a Glance

£164m Additions	**£176m** Withdrawals
£21m Management Expenses	**£343m** Net Loss on Investments

£5,804m

Net Assets of the Fund at the End of the Year

Key Statistics	
44 **Total Number of Employers**	**76,878** **Total Membership**
1,514 **Votes at AGMS**	**49%** **Members Registered for My Pension**
42.5 **Staff Employed (FTE)**	**1,809** **Members to Staff Ratio**

North East Scotland Pension Fund Financial Summary

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

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Contributions Less Benefits and Expenses paid **Net Additions/ (Withdrawals)**	**(19,697)**	**(30,977)**	**(51,481)**	**(33,048)**	**(34,257)**
Net Investment Income Change in Market Value **Net Return on Investment**	**363,300**	**(71,648)**	**1,462,128**	**181,752**	**(342,832)**
Transfer In of ACCTF at Market Value	**0**	**0**	**0**	**0**	**290,035**
Revaluation of Insurance Buy In Contract	**0**	**0**	**0**	**0**	**(35,062)**
Net Increase/ (Decrease) in Fund	**343,603**	**(102,625)**	**1,410,647**	**148,704**	**(122,116)**
Fund Balance as at 31 March (Market Value)	**4,469,167**	**4,366,542**	**5,777,189**	**5,925,893**	**5,803,777**

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 2022/23 £'000	Budget or Forecast 2022/23 £'000	Over or (Under) Spend 2022/23 £'000
Administration Expenses	1	2,958	2,810	148
Oversight and Governance Expenses	2	743	832	(89)
Investment Management Expenses	3	17,767	26,708	(8,941)
Management Expenses Total		**21,468**	**30,350**	**(8,882)**

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

1. Over spend – Backdating of accommodation costs and inflation.

2. Under spend – Delayed projects, frameworks, recruitment and less travel. Offset in part by an increase in actuarial advice.

3. Under spend – Downturn in markets and transaction activity. Impact of inflation and interest rates, etc.

Membership Statistics

NESPF	2018/19	2019/20	2020/21	2021/22	2022/23
Active	25,892	26,275	26,315	26,961	27,751
Pensioners	21,029	22,156	22,692	23,854	26,146
Deferred	17,846	17,965	17,704	18,150	19,379
Frozen Leavers	2,759	3,021	2,664	3,111	3,602
Total	**67,526**	**69,417**	**69,375**	**72,076**	**76,878**

The above figures for 2022/23 include First Aberdeen members who transferred into the NESPF on 1 April 2022 (i.e. 45 Active, 1,378 Pensioners, 111 Deferred, 8 Frozen Leavers). Active membership has continued to increase for the Local Authorities, which may be as a result of auto enrolment and multiple payroll records held to reflect different employment contracts. In 2022/23, the clearance of a backlog of unprocessed leavers resulted in an increase in Deferred members. 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

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Administration	1,634	1,822	2,236	2,388	2,958
Oversight and Governance	474	422	713	615	743
Investment Management	18,665	17,953	23,820	23,901	17,767
Total Management Expenses	**20,773**	**20,197**	**26,769**	**26,904**	**21,468**

Unit Cost Per Member

	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £
Administrative Unit Cost per Member	24.20	26.25	32.23	33.13	38.48
Oversight and Governance Unit Cost per Member	7.02	6.08	10.28	8.53	9.66
Investment Management Unit Cost per Member	276.41	258.62	343.35	331.61	231.11
Total Cost per Member	**307.63**	**290.95**	**385.86**	**373.27**	**279.25**

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 Review

Global stocks fell 18% and bonds dropped 16% in 2022 – a rare joint sell off that has only occurred in two other instances (in 2015 and 2018) since the Bloomberg global aggregate bond index series started in 1990, and these losses were only single digits. Soaring inflation and aggressive rate hikes in response roiled markets as the pressure from production constraints tied to the pandemic converged with an energy crisis brought by the war in Ukraine.

US Equities

As concerns around COVID-19 abated, the U.S. market turned its focus to inflation and interest rates which defined market returns in 2022. As inflation data began to peak, the Fed initiated an interest rate hike in March 2022 embarking on the fastest tightening cycle since 1980 which continues today. This caused broad market repricing with more growth oriented equities taking the brunt of the pain coming down from historically expensive valuations. Value oriented equities held up better, driven by a banner year for the energy sector, but remain cheap historically. Toward the end of the year, the market began to grow optimistic at the prospect of a soft landing as inflation data began to roll over. This contributed to a partial recovery in Q4 22 and Q1 23, led by growth oriented equities. In March 2023, the uncertainty in the banking sector demonstrated the challenges of operating in a high inflation, high interest rate world. While the market initially wavered on the news, it recovered quickly as the situation resolved ending the quarter and reference period on a positive note.

UK Equities

Equity investors faced a difficult period as market volatility remained elevated due to recession fears, supply side inflation shocks, war in Europe and concerns around monetary policy. Central bankers raised rates as inflation surged which caused recession fears. The UK market was a notable outperformer across developed equities, helped by its bias towards the Resources, Staples and Healthcare sectors which make up more than 50% of the UK large cap indices. That being said, the announcement of the mini budget in the UK sparked market turmoil and forced a total policy reversal.

European Equities

Whilst the beginning of the period continued to see markets being driven by macroeconomic headlines such as rising interest rates as well as factor moves, sentiment improved from October on. European equities have significantly outperformed other regions since October, as the outlook for Europe has materially improved. The domestic energy crisis has been de risked with prices down and storage levels high, and as one of the largest exporters to China, many European companies stand to benefit from the country's ongoing re opening. Further, the most recent earnings season proved significantly better than the market had forecasted as many companies delivered beats on expectations that had been cut too aggressively and posted solid outlook statements.

Emerging Markets Equities

2022 marked the worst year for MSCI (Morgan Stanley Capital International) Emerging Markets since the global financial crisis (-19.9%), underperforming MSCI Developed Markets (-17.7%) by 2.2%. In Q4 2022, there was a significant shift in optimism in China, specifically around signs of an earlier than expected easing of COVID-19 policy, support for the property sector and stabilising relations with the US. Emerging Markets equities rose by +9.6% overall during this period, and Q4 was the only quarter in which Emerging Markets posted positive returns overall throughout 2022. Going into 2023, Central banks maintained their cautious tilt, with the Federal Reserve (Fed) raising rates to a 15 year high and the Bank of Japan relinquishing its longstanding easing stance. The trend echoed across Emerging Markets with India, Taiwan, Mexico, Indonesia, the Philippines, Peru, Colombia and Egypt all raising rates.

Emerging Markets continued the positive trend in Q1 2023 with MSCI Emerging Markets rising 4.0%, underpinned by a near complete sentiment reversal for China equities driven by their reopening, combined with US Dollar weakening which spurred sharp inflows into the asset class. However, Emerging Markets saw the broad based Year to Date rally start to fizzle in February amid re escalation of US China tensions. March saw the risk of financial contagion from the failure of regional US banks and the merger of Credit Suisse and UBS add to market woes. To finish the quarter, markets rallied as these fears dissipated somewhat and positive news from China around more support for the internet sector.

Japanese Equities

The Japan stock market rose for the period and did improve as it continues to be in a different part of the cycle, given both monetary and fiscal policy. Increasing inflationary concern and worsening economic indicators, especially in Europe and the US, hurt market sentiment, which made the market volatile. Toward the end of the period, given increasing optimism in the global markets that US Fed tightening cycle is approaching its end and US rates may even be cut this Calendar Year 2023, while the failure of US regional banks impacted Japan equity markets as well.

Bonds

During the beginning of second quarter of 2022, geopolitical and macroeconomic concerns remained in focus. The conflict in Ukraine, renewed lockdowns in China, as well as the prospect of significantly tighter US monetary policy all loomed over sentiment. Moreover, inflationary pressures continued to build as inflation prints reached new multi decade highs both in the US and the UK. The market narrative in May shifted from higher inflation concerns to slowing growth risks as the moderation of global growth became more apparent. The US Fed and the European Central Bank (ECB) nonetheless signalled tighter monetary policy ahead. European Union leaders also decided to ban all seaborne Russian oil deliveries, prompting fears that Russia may retaliate by further reducing the supply of gas to Europe. The Bank of England (BoE) hiked interest rates for a fifth successive time to 1.25% as policymakers directed further efforts to control inflation, which reported a 40 year high headline figure of 9% Year on Year (YoY) in May.

Economic data released over the third quarter of 2022 provided further evidence that the global economy was heading for a slowdown. Financial markets moved to price in interest rate cuts from the Fed in 2023, against the backdrop of weakening growth. Headline inflation rates meanwhile touched new highs. US Consumer Price Index (CPI) inflation printed at 9.1% YoY in June, the highest increase since November 1981. The European Central Bank (ECB) unveiled significant changes to its monetary policy stance, by raising key interest rates for the first time in over a decade - all three key interest rates were increased by 0.5% in June and then 0.75% in September. In the US, the Fed continued its hiking cycle, raising the Fed funds rate by 0.75%. In UK, the rapid move higher in government borrowing costs across the curve triggered sizable collateral calls for Liability Driven Investment (LDI) strategies, which in turn has caused selling of gilts and credit to raise cash. At the end of September, the Bank of England (BoE) intervened and started to purchase long dated gilts to prevent this forced selling from becoming disorderly and causing broad financial instability.

During the last quarter of the year, investors continued assessing how much more central banks would need to tighten financial conditions to control inflation. A trend of moderating inflation in the US continued in December, coming in at 7.1% YoY, below market expectations. The Fed raised the Federal Funds rate by 0.75% and 0.50% to a target range of 4.25% to 4.50%. The last hike was a step down from the 0.75% pace seen in the past four consecutive meetings. In another move that was in line with the market consensus, the ECB increased the interest rate for the deposit rate, refinancing operations rate, and marginal lending facility rate by 50 BPS (100-basis point). It was a tumultuous quarter for the UK with its largest rate hike since 1989, a government budget, and CPI hitting a 41 year high. The government announced a budget of £55 billion in tax rises and spending cuts from the budget announced just 6 weeks prior outlining £30 billion in tax cuts. Economic data, aside from inflation was relatively mixed but ultimately showed signs of improved economic activity from the recent depressed levels witnessed.

Global bond markets rallied in January as there appeared to be greater certainty that inflation had peaked and that there was a possibility of a sooner than expected pause in tightening from developed market central banks. February saw a reversal of almost all the gains generated by global bond markets in the previous month as strong economic data, particularly in the US, highlighted that developed market central banks would likely have to tighten financial conditions even more than market participants had been expecting. The January US CPI inflation rate continued to slow on a YoY basis, although it surprised to the upside with 6.4% against expectations of 6.2%. The banking crisis in the US and Europe characterized the bond market in March, with investors beginning to believe that the fallout from the crisis had potentially brought the Fed towards the end of a hiking cycle, which had taken the lower bound of the Fed funds rate from 0% to 4.75% in just 12 months. Inflation in developed markets continued to prove sticky despite the Fed, ECB and BoE all raising interest rates in line with expectations in March, and in preceding months.

UK Property

2022 started with inflation running high, due to a combination of the post COVID-19 bounce back, low unemployment and labour shortages as well as cost pressures notably from global supply constraints. Russia’s invasion of Ukraine then pushed UK inflation into record territory, and the Bank of England reacted by increasing the base rate quickly throughout the year from 0.25% to 3.50% by year end. The normally reliable UK became an unstable place to invest because of the notorious ‘mini budget’ in September ultimately resulting in a bond market crash.

Increasing the cost of capital has had several implications for real estate, the most direct being the immediate rise in the cost of debt increasing ‘all in’ borrowing rates and affecting the lowest yielding parts of the market in particular. The rise in interest rates, in addition to irreversible structural shift in the demand for UK Real Estate from UK Defined Benefit Pension Schemes, have been the main factor in declining capital values, rather than a fall in occupier demand and rents.

As a result of the increased rate environment, many UK DB pension schemes are reaching maturity more quickly than forecasted, with schemes looking to redeem out of risk assets such as property. This was further exacerbated by the LDI crisis in September which saw investors frantically search for liquidity across all other parts of their portfolio. Therefore, sellers far outweighed buyers in H2-22, both debt backed buyers and investors with equity demanded lower prices in order to meet their return targets. The stand off with sellers has pushed up real estate yields and depressed transactions. Transaction levels in the fourth quarter of 2022 were 60% lower than in the final quarter of 2021. For example, industrial investment activity slowed for the fourth consecutive month, with just £190 million transacted throughout November. This is well below the five year monthly average of £970 million. In response, many UK balanced Real Estate Funds made the decision to defer the payment of redemptions to protect unitholders and avoid becoming a forced seller in a market starved of liquidity. It may take several quarters to resolve the liquidity issues caused by this structural shift.

However, the steadying environment of the UK has meant some transactions did start to occur towards the end of Q4. Some green shoots are emerging that support recovery as the market starts to bottom out, pricing is rebased, we see renewed interest from international investors and data points from trades emerge. The market is certainly not running as ‘normal’, but we have seen slow but steady increases in transactions in the first half of 2023.

Market Returns	**1 Year (% p.a.)**	**3 Year (% p.a.)**	**5 Year (% p.a.)**
Equities			
FTSE All Share Index	2.9	13.8	5.0
FTSE All World Index	-6.9	15.9	7.4
FTSE All World ex UK Index	-7.2	15.9	7.6
FTSE North American Index	-3.1	18.0	13.1
FTSE European (ex UK) Index	2.1	14.9	4.9
FTSE Japan Index	2.0	7.8	3.9
FTSE Developed Asia (ex Japan) Index	-9.5	14.0	2.5
FTSE Emerging Markets Index	-4.3	29.4	13.9
Bonds			
FTSE Actuaries UK Conventional Gilts All Stocks Index	-16.3	-9.1	-3.1
ICE BofA Sterling Non Gilts Index	-10.3	-3.1	-0.8
FTSE Actuaries UK Index Linked Gilts All Stocks Index	-26.7	-7.6	-3.2

Source: Bloomberg

8. NESPF Investment Strategy

The NESPF's investment strategy is one of diversified investment, which 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. The Fund also 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 2022/23

Asset Class	**Distribution as at 31 March 2022**		**Distribution as at 31 March 2023**	
	Fund Actual %	Fund Benchmark %	Fund Actual %	Fund Benchmark %
Equities (including Alternative Assets)	64.9	55.0	63.3	55.0
Bonds/Credit	20.0	22.5	17.7	22.5
Property/Infrastructure	13.1	20.0	15.9	20.0
Cash/Other	2.0	2.5	3.1	2.5
Total	**100.0**	**100.0**	**100.0**	**100.0**

During this period and given the volatility in markets, NESPF has slowed its re balancing efforts, making selective and tactical changes in line with its investment strategy where appropriate. Equity portfolios have been re aligned, Private Equity rationalised with the creation of an own account solution and further investment has been made into Infrastructure and other alternatives.

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

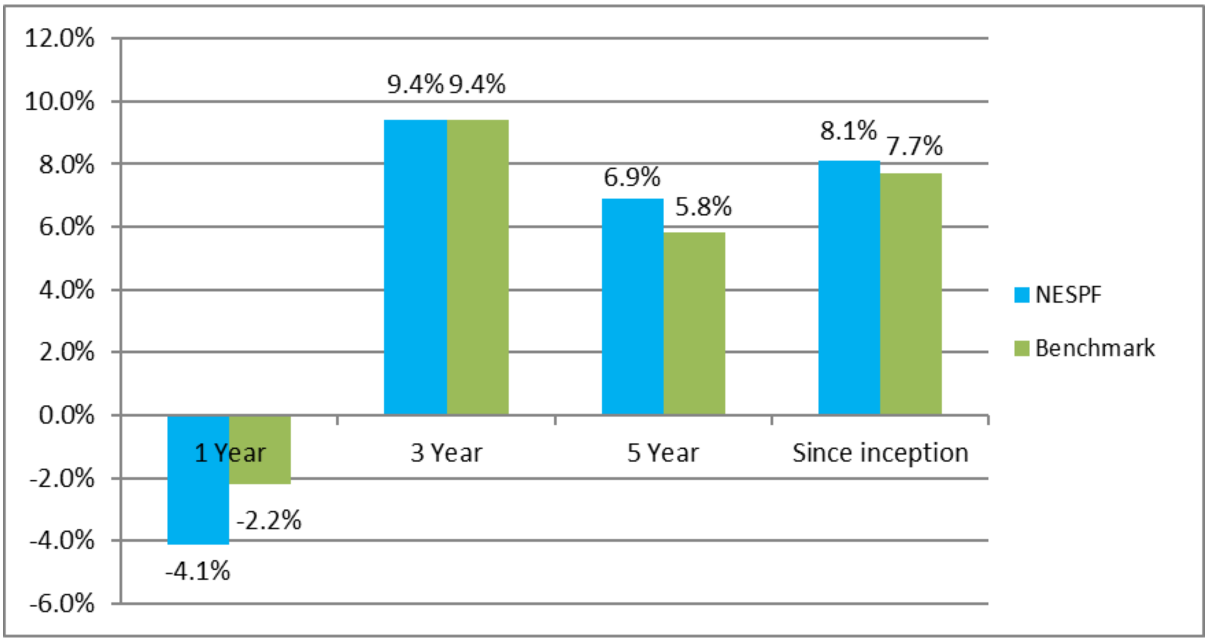
Equities	50.0% (range +/- 5%)
Alternative Assets (including private equity)	5.0% (range +/- 5%)
Bonds/Credit	22.5% (range +/- 5%)
Property/Infrastructure	20.0% (range +/- 5%)
Cash/Other	2.5% (range +/- 5%)

North East Scotland Pension Fund Performance

Investment returns over the last year have been negative in what has been a difficult market backdrop for a number of different asset classes. NESPF's re balancing efforts in previous years have been hugely beneficial and has helped the portfolio preserve value.

It is notable that the NESPF continues to outperform the benchmark returns over longer periods and similarly comparators such as CPI and Average Earnings over the longer term. 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 NESPF's 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 NESPF's 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	**2020/21**	**2021/22**	**2022/23**	**Since Inception Annualised**
	%	**%**	**%**	**%**
CPI*	0.7	7.0	10.1	2.6
Average Earning*	4.0	7.0	5.8	3.1
NESPF Return	32.2	2.4	-4.1	8.1

*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. First Aberdeen Employer Investment Strategy and Performance - Formerly Aberdeen City Council Transport Fund

In 2022/23, the Aberdeen City Council Transport Fund (ACCTF) has been merged into the NESPF (Main Fund) with the separate investment strategy solution for First Aberdeen retained for all ongoing liabilities. This investment strategy is a liability driven/matched solution that seeks to hedge out inflation and interest rate risk. The Funding level is over 100%, with excess cash invested into Securitised Credit.

	31 March 2022	**31 March 2023**
Total Assets	85,321,038	69,219,521
Liability Proxy	65,602,593	47,030,363
Funding level	**130.1%**	**147.2%**

Separate to the above, approximately two thirds of the more mature liabilities have an Insurance ‘Buy In’ Contract in place, which underwrites the risk of meeting the liabilities of a specified group of pensioners on the former ACCTF pensions payroll as at the inception date 19 November 2020.

10. 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.

11. 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:

- 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 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 2020 actuarial valuation, the FSS for both the North East Scotland Pension Fund and the former Aberdeen City Council Transport Fund were reviewed, with employers consulted on the revised version. The FSS will be reviewed as part of the 2023 Valuation process.

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

12. Statement of Investment Principles

This statement sets out the principles governing decisions about investments for the North East Scotland Pension Fund and the First Aberdeen Employer Investment Strategy (see Section 9 for further details). 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 Main Fund 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

13. 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.

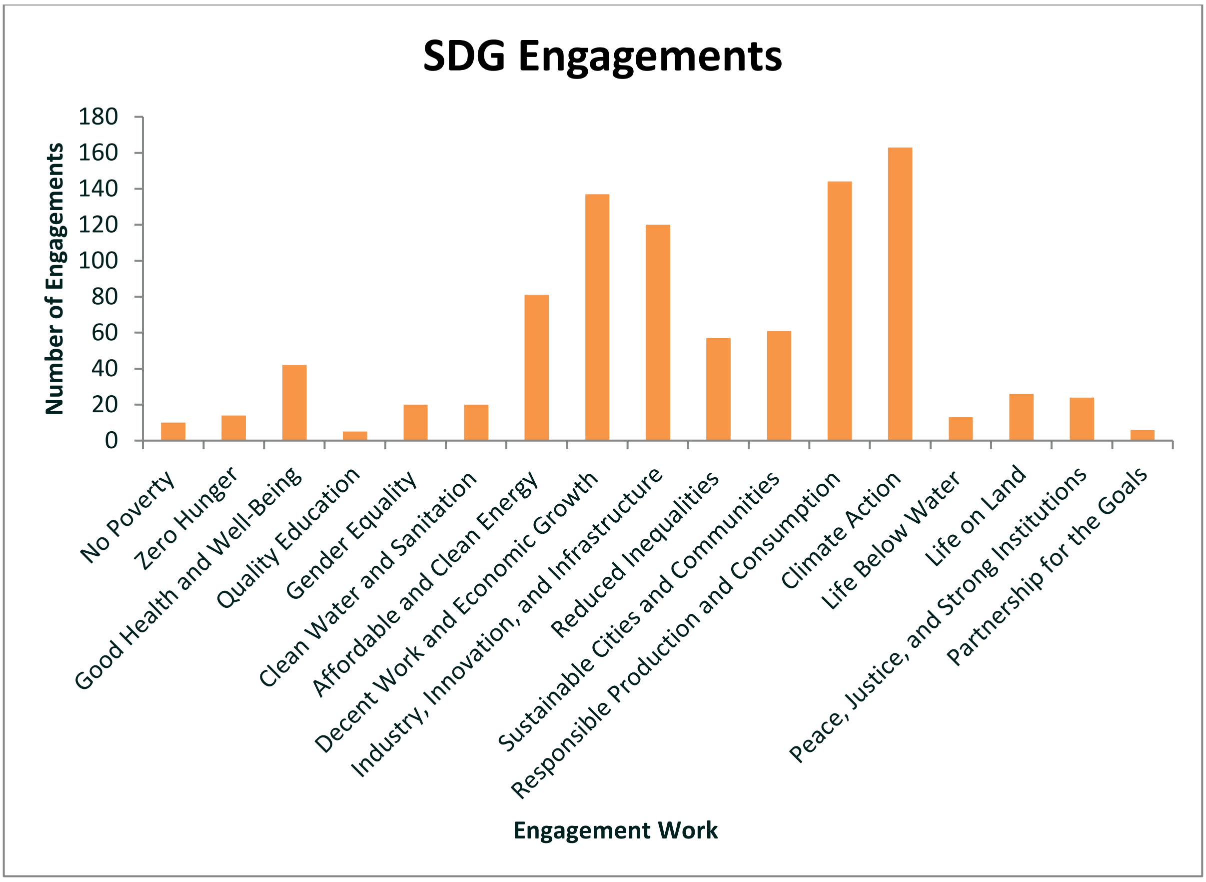
<u>Collaboration</u>

There are limits to what can be achieved as a single investor. The Fund believe greater progress can be made through collaboration with other investors. The Fund's main collaboration is with the Local Authority Pension Fund Forum (LAPFF). NESPF also engage with our Fund Managers on a regular basis.

LAPFF is the UK's leading collaborative shareholder engagement group with combined assets of over £300 billion. The Forum provides a unique opportunity for Britain's Local Authority Pension Funds to discuss shareholder engagement and investment issues.

The graph below breaks down the engagements LAPFF has carried out in relation to the Sustainable Development Goals (SDG). The 17 SDGs are integrated. LAPFF recognise that action in one area will affect outcomes in others, and that development must balance social, economic, and environmental sustainability.

LAPFF engagement work examples are noted below:



<u>Mining and Human Rights</u>

<u>Context</u> – LAPFF engages with human rights as part of its grid approach to environmental, social, and governance (ESG) issues, on the understanding that human rights are a financially material consideration. Tailings dams are used in the mining industry. The tailings dam disasters in Brazil have had a huge effect on the communities with loss of life, polluted water, environmental damage, housing concerns, mental health and wellbeing issues.

<u>Activities</u> – The LAPFF Chair has visited communities affected by the Mariana and Brumadinho tailings dam collapses in Brazil. LAPFF have also engaged with the companies who own these mines. The Renova Foundation was created by mining companies BHP and Vale together with the Brazilian authorities to provide reparations and compensation. Delayed reparations are creating mounting financial costs for the companies and investors. Affected people are in temporary housing and communities continue to struggle.

LAPFF have held webinars for members and investors to hear first hand from these affected communities about the effect of the social and environmental impacts of these mining companies.

Outcomes – As a result of the Chair's visit, LAPFF members have a better understanding of the business risk factors and investment decisions related to Anglo American, BHP and Vale.

A group of Brazilian investors led by JGP Asset Management have three objectives for BHP and Vale: Human rights protection, environmental inspections and prevention of future tailings dam collapses.

LAPFF's partnership with this local Brazilian asset manager and involvement of local investors should help to improve on company engagement.

The affected communities thanked LAPFF for caring about their situation and the difference it has made to them as they feel the companies themselves are not making the same effort.

It will take a lot more time and effort to address the problems these communities are facing. LAPFF has engaged and continues to engage with a range of mining companies.

Climate

Context – Drax owns the UK's largest power generation site in Yorkshire. It consists of a coal burning plant converted to burning wood pellets, mainly imported from North America. It meets approximately 7-8% of the UK's electricity demand. Despite the switch from coal, Drax is the UK's largest carbon emitter as stated in research by climate think tank, Ember, and is government subsidised.

Activities – At the Drax AGM, LAPFF's doubts on the company business model were reinforced by the position of other shareholders in attendance. Research shows the Board is not demonstrably strong in climate change matters and lack skills and credibility.

There were several claims at the meeting that Drax was not merely burning the waste from sawmills and forest management, but that whole trees were being felled and used.

Outcomes – LAPFF's analysis has since been reinforced by a BBC Panorama TV programme which showed that wood was being felled and consumed directly for pellet making as well as felling coming from primary forests (which are old growth, natural forest as opposed to planted).

LAPFF sent a comprehensive letter after meeting with the chair of Drax Group. Discussions are ongoing with further reporting and updates in due course.

The above are just a couple of examples of engagement carried out by LAPFF, more in depth information is on the website http://www.lapfforum.org

Fund Managers

Through our fund managers we can engage with companies 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.

Set out below is one example of activity being undertaken by one of our Fund Managers.

Grid Infrastructure Investment

The Fund is investing into transmission assets, providing an opportunity to invest into the growing market of the UK's grid stability services. This investment involves the construction of a synchronous compensator in Moray, which is expected to be operational in 2024.
A synchronous compensator is a rotating machine that does not produce electricity. It helps manage the stability of the national grid including the relationship between voltage/current and the resilience of the system to sudden faults.

With the move towards decarbonisation of electricity, to meet net zero targets, technologies such as these will help stabilise and strengthen the grid. This is particularly important as renewables, which can be intermittent, are integrated into the UK power system.

Other ways the Pension Fund collaborates is by being members/signatories of the following ESG initiatives:

- 2022 Global Investor Statement;
- 2022 Non Disclosure Campaign (NDC);
- Bangladesh Accord on Fire and Building Safety (the Accord);
- Climate Action 100;
- Carbon Disclosure Project;
- Principles for Responsible Investment.

Further information on these initiatives is on the NESPF website:
https://www.nespf.org.uk/about/investment/responsible-investment/

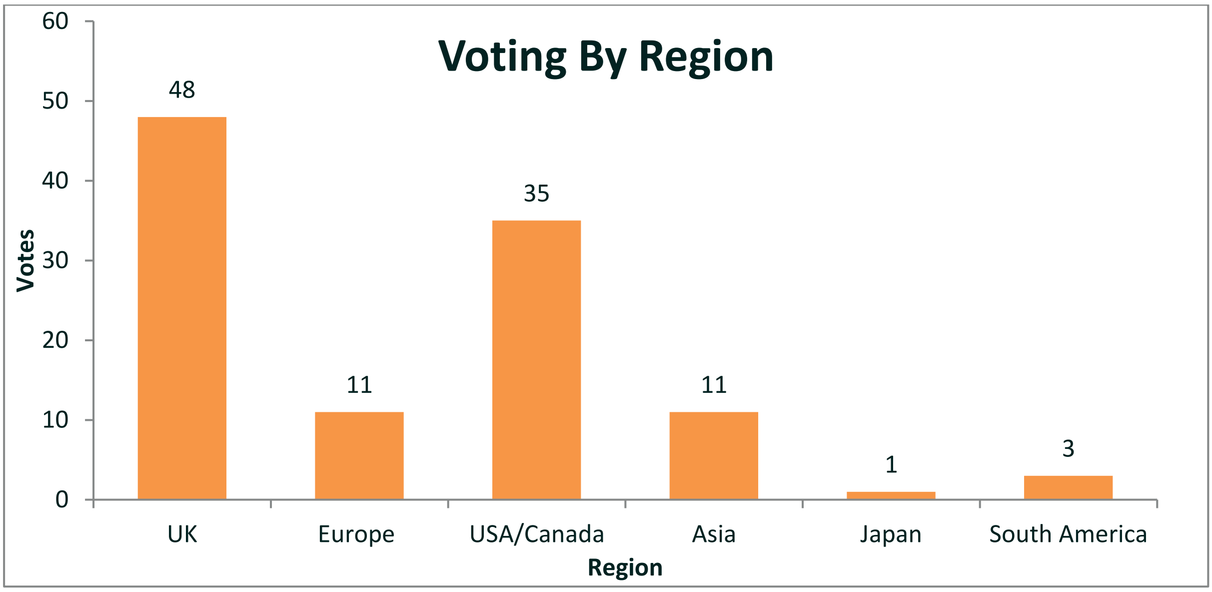
By working together, NESPF and other investors can use our collective size to influence decision making and promote the highest standards of corporate governance and corporate responsibility.

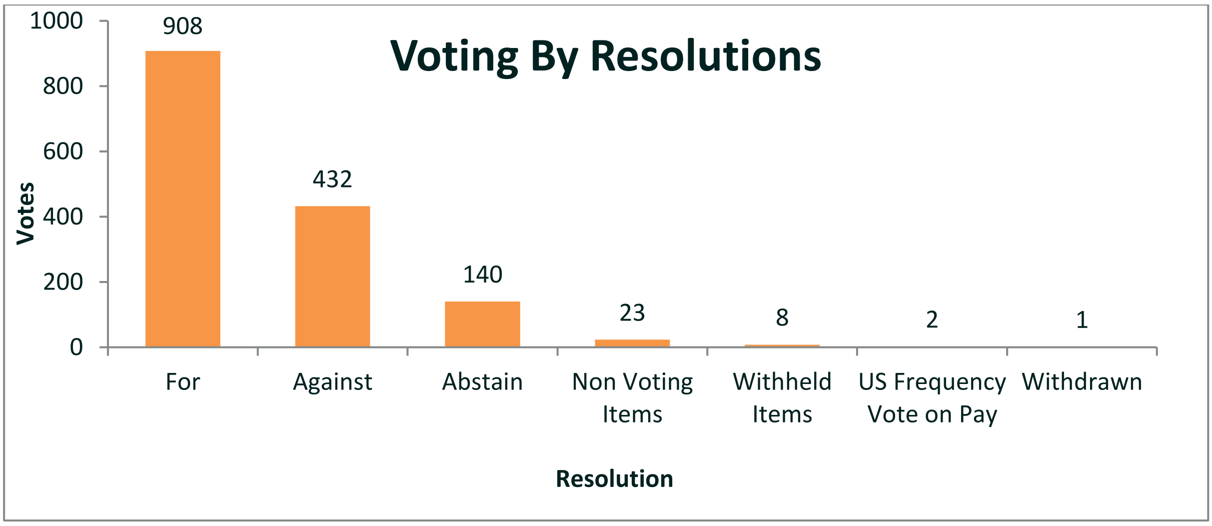
Voting

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

The Fund vote in house on all our active managers holdings and over the last year have voted at 109 Annual General Meetings/Special Meetings on 1,514 resolutions. The Fund's voting advice is provided by P.I.R.C (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 is on the NESPF website: https://www.nespf.org.uk/about/investment/responsible-investment/voting/





During the year to 31 March 2023, the main reasons for casting a vote against a resolution are listed below:

Annual Reports

- Concerns over sustainability policies and practice;

Share Issues/Re Purchase

- No clear case as to how this would benefit long term shareholders;

Directors

- Insufficient independent representation on the Board;
- Global Diversity & Inclusion efforts of the company;
- Executives who are employees should not be additionally rewarded with bonuses or Long Term Incentive Plans (LTIPs) for duties that are considered part of the job;
- Company has not disclosed quantified targets for the performance criteria of its variable remuneration policy.

14. 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 2022/23 Annual Report and Accounts.

Angela Scott

Angela Scott
Chief Executive

Jonathan Belford

Jonathan Belford, CPFA
Chief Officer – Finance

Councillor John Cooke

Councillor John Cooke
Pensions Committee Convener

On behalf of Aberdeen City Council

15 September 2023

Statement of Responsibilities

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

- 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.

- Manage their affairs to secure economic, efficient and effective use of resources and safeguard its assets.

- 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).

- Approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Pensions Committee at its meeting on 15 September 2023.

Signed on behalf of Aberdeen City Council

Councillor John Cooke

Councillor John Cooke
Pensions Committee Convener

17 September 2023

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:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation;
- complied with the Local Authority Accounting Code (in so far as it is compatible with legislation).

The Chief Officer - Finance has also:

- kept adequate accounting records which are up to date;
- 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 2023.

Jonathan Belford

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

18 September 2023

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 functions, which includes 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.

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 2022/23 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:

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

These arrangements also include:

- A training programme to ensure that Pensions Committee and Pension Board members develop the required level of knowledge and understanding of the LGPS;
- Identifying the objectives of the Fund in the Funding Strategy Statements, Statement of Investment Principles and Service Plan. Quarterly updates are presented to the Pensions Committee;
- Monitoring the achievement of objectives by the Pensions Committee and senior officers;
- A systematic approach to monitoring service performance by the Pensions Committee, senior officers and stakeholders including benchmarking of services;
- A clear statement of risk combined with effective risk management arrangements. A risk register is updated and regularly reported to the Pensions Committee;
- The Monitoring Officer reports on any non compliance with laws and regulations of which the Pensions Committee are made aware;
- Operating within clearly established investment guidelines defined by the Local Government Pension Scheme Investment Regulations and the Fund's Statement of Investment Principles;
- Compliance with the CIPFA Principles for Investment Decision Making in the Local Government Pension Scheme and the Myners Principles on investment;

- Appropriate investment custody arrangements with a Global Custodian and access to the custodian's extensive internal control framework;
- 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, Technical, 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 have 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 include internal financial controls and provide the opportunity to highlight any weaknesses or areas of concern that should be taken account of. For 2022/23, 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 (2010). 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 is responsible for 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.

The focus of Internal Audit was on the Pension Fund's Pension Systems with the outcome reported to the September 2022 Pensions Committee (rescheduled to 5 October 2022) together with any identified areas of good practice, improvement, and procedural compliance. Full details of the outcome are available on the Council's website https://www.aberdeencity.gov.uk/services/council-and-democracy.

Towards the end of the year, Internal Audit conducted a review of the Pension Fund's Governance Arrangements with the outcome reported to the March 2023 Pensions Committee. No major issues or risks were reported with the control framework deemed to provide substantial assurance over the Fund's governance procedures.

The Chief Internal Auditor's annual report concluded that in his opinion the NESPF had an effective framework for Governance, Risk Management and Control for the period 1 April 2022 to 31 March 2023. The full Internal Audit report is on the Fund's website www.nespf.org.uk.

At the Pensions Committee meeting on 24 March 2023, the 2023-26 three year Internal Audit plan was approved. These audits will focus on:

- 2023-24: Pension Fund Investment Strategy;
- 2024-25: Pension Fund Payroll;
- 2025-26: Pension Fund Key Administrative Processes.

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 2022/23, 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 2022/23 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
Angela Scott
Chief Executive

Jonathan Belford
Jonathan Belford, CPFA
Chief Officer – Finance

Councillor John Cooke
Councillor John Cooke
Pensions Committee Convener

On behalf of Aberdeen City Council

15 September 2023

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.	Fully compliant
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.	Fully compliant
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 main 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/

NORTH EAST SCOTLAND PENSION FUND ACCOUNTS

Fund Account for the year ended 31 March 2023

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	2021/22	2022/23
		£'000	**£'000**
Dealings with members, employers and others directly involved in the Fund			
Employees' Contributions	3	33,563	37,056
Employers' Contributions	3	115,929	124,477
Transfer Values	4a	2,776	2,656
Other Income		4	3
Additions		**152,272**	**164,192**
Employers' Surplus Refunds/Exit Payments	5	0	1,186
Retirement Pensions	6	124,135	140,887
Retirement Allowances	6	25,758	25,257
Death Gratuities	6	5,674	5,845
Contributions Refunded	7	490	583
Transfer Values	7	2,359	3,223
Withdrawals		**158,416**	**176,981**
Net (Additions)/Withdrawals from dealings with members		**6,144**	**12,789**
Management Expenses	8a	26,904	21,468
Net (Additions)/Withdrawals including Fund Management Expenses		**33,048**	**34,257**
Return on Investment			
Investment Income	9	71,323	83,274
Taxes on Income	9	(390)	(552)
Profits and (Losses) on Disposal of Investments and Changes in Market Value of Investments	10	110,819	(425,554)
Net Return on Investments		**181,752**	**(342,832)**
Transfer In of ACCTF at Market Value	4b	**0**	**290,035**
Revaluation of Insurance Buy In Contract	18c	**0**	**(35,062)**
Net Increase/(Decrease) in the Net Assets available for Benefits during the year		**148,704**	**(122,116)**
Opening Net Assets of the Fund		**5,777,189**	**5,925,893**
Net Assets of the Fund at the end of the year		**5,925,893**	**5,803,777**

NORTH EAST SCOTLAND PENSION FUND ACCOUNTS
Net Assets Statement as at 31 March 2023

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

	Notes	2021/22	2022/23
		£'000	**£'000**
Investment Assets			
Bonds		0	46,218
Equities		2,319,608	2,161,917
Pooled Funds	11	2,347,495	2,230,604
Direct Property	15	427,375	367,200
Private Equity		518,689	480,612
Private Debt		143,106	155,026
Funds held by Investment Managers		137,997	74,044
ACC Loans Fund Deposit	21	58,375	145,610
Investment Income Due		2,264	2,024
Investment Sales Amount Receivable		7,155	161
Total Investment Assets		**5,962,064**	**5,663,416**
Investment Liabilities			
Investment Purchases Amount Payable		(14,395)	0
Net Investment Assets		**5,947,669**	**5,663,416**
Insurance Buy In Contract	20a	0	158,000
Life Time Tax Allowance	20a	0	189
Long Term Assets		**0**	**158,189**
Current Assets	20b	12,926	16,452
Current Liabilities	20c	(34,702)	(34,280)
Net Current Assets/(Liabilities)		**(21,776)**	**(17,828)**
Net Assets of the Fund at the end of the year		**5,925,893**	**5,803,777**

The unaudited accounts were authorised on 23 June 2023 and the audited accounts were authorised for issue by Jonathan Belford on 15 September 2023.

Jonathan Belford

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

18 September 2023

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 2022/23 financial year and its position at year end as at 31 March 2023.

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 accounts 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 £4,586,458 in 2022/23 (2021/22 £7,823,073).

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 2023 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.

Managed funds including unit trusts are stated at the bid price of the latest prices quoted or the latest valuation by the Fund's custodian.

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 (Savills UK Ltd), 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:

- Comparable recent market transactions on arm's length terms.

A full copy of the valuer's report including all general assumptions and definitions is available on request from the Director of Resources, Aberdeen City Council, Resources, 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 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 is 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 IFRS.

The value of unquoted investments at 31 March 2023 was £925,701,847 (31 March 2022 £779,453,543).

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 Fund Actuary. These values are calculated in line with International Accounting Standard 19 (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, ACCTF purchased a bulk annuity insurance buy in contract with Rothesay Life Plc. The insurer underwrites the risk of meeting the liabilities of a specified group of pensioners on the former ACCTF 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 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 8 Amendments – Definition of Accounting Estimates. The amendments aim to improve accounting policy disclosures and to help users of the Financial Statements distinguish between changes in accounting estimates and changes in accounting policies.
- IAS 1 Amendments – Disclosure of Accounting Policies. This requires organisations to disclose their material accounting policy information rather than their significant accounting policies.

- IAS 12 Amendments – Deferred Tax relating to Assets and Liabilities arising from a Single Transaction. The main change is an exemption from the initial recognition exemption.

The amendments are effective for annual periods beginning on or after 1 January 2023 and there is therefore no impact on the 2022/23 Financial Statements.

The implementation of IFRS 16 for Lease Accounting which should have been adopted with effect from 1 April 2022 has now been deferred until 1 April 2024 with the Fund having the option to adopt earlier if they decide to do so. This standard replaces IAS 17 and removes the operating classification for leases, eliminating the ability for organisations to keep operating leases off balance sheet, by reporting them as a note to the accounts. With the new standard all leases will be considered finance leases unless they meet the specific exception criteria. The Fund has opted to defer implementation until 1 April 2024.

Note 2: Actuarial Valuation Report

An Actuarial Report for the North East Scotland Pension Fund (NESPF) was provided as at 31 March 2020.

Information from the 2020 Actuarial Valuation is detailed below:

Market Value of Assets at Valuation	£4,367,000,000
Liabilities	£4,254,000,000
Surplus	£ 113,000,000

Funding Level

The Level of Funding in Terms of the Percentage of Assets available to meet Liabilities	103%

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 12 years.

The valuation determined that the average employer cost of providing members benefits across the Fund was 21.7% (the Primary contribution rate.) By spreading the surplus over 12 years the Secondary contribution rate for the whole Fund is -2.5% meaning that the average employer contribution rate is 19.2% of pensionable pay.

In practice, each employer’s position is assessed separately, details of which can be found in the 2020 Actuarial Valuation report. This sets out the contributions for each employer over the 3 year period to 31 March 2024.

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 2024. 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 2024 onwards will be revised as part of the next actuarial valuation as at 31 March 2023 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)	3.35% p.a.
Discount Rate (Future Service)	3.60% p.a.
Assumed Long Term Price Inflation (CPI)	2.10% p.a.
Salary Increases – Long Term	3.60% p.a.
Salary Increases – Short Term	Varied by employer*
Pension Increases in Payment	2.10% p.a.

*Short term pay restraint was allowed for over the three years following the valuation.

The 2020 Actuarial Report and the NESPF Funding Strategy Statement are available from the office of the Director of Resources, Aberdeen City Council, Resources, Level 1 West, Business Hub 7, Marischal College, Broad Street, Aberdeen, AB10 1AB.

Fund merger with Aberdeen City Council Transport Fund (ACCTF)

On 1 April 2022, the ACCTF was merged into the NESPF. The valuation results and the assumptions above were calculated prior to the merger and do not include the ACCTF figures or results.

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 £4,598m (2022 £6,333m*). Included within the calculation is the estimated cost of the potential impact of the McCloud judgement and the provision of full CPI pension increase on GMP benefits for members who reach State pension Age after 6 April 2016.

[*Note – NESPF £6,107m + ACCTF £226m = £6,333m]

The following factors that have had a key impact on the actuarial gains shown for the year to 31 March 2023:

- A change in financial assumptions including an increase in the discount rate used as a result of corporate bond yields increasing and the reduction in long term assumed CPI. These factors combined led to a significant reduction in liabilities;

- The demographic assumptions used to calculate the 2023 figure have been adjusted to reflect a demographic study carried out in preparation for the NESPF 2023 actuarial valuation. This has had the effect of reducing the liabilities;

- Allowances for the impact of the 10.1% pension increase awarded in April 2023 have been made within the calculation. Additionally, the high levels of CPI since September 2022 have also had an impact. Both the higher than expected pension increase and the high short term inflation has increased the value of the liabilities.

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	**2021/22**	**2022/23**
	£'000	**£'000**
Employees' Normal Contributions	**33,563**	**37,056**
Employers' Normal Contributions	113,362	121,677
Employers' Deficit Recovery Contributions	2,567	2,800
Total Employers' Contributions	**115,929**	**124,477**
Total	**149,492**	**161,533**

By Authority	**2021/22**	**2022/23**
	£'000	**£'000**
Administering Authority	38,971	42,834
Scheduled Bodies	95,243	102,012
Admitted Bodies	15,278	16,687
Total	**149,492**	**161,533**

Note 4a: Transfers In from other Pension Funds

	2021/22	2022/23
	£'000	**£'000**
Individual Transfers	2,776	2,656
Total	**2,776**	**2,656**

Note 4b: Analysis of Transfer Value from Aberdeen City Council Transport Fund

	1 April 2022
	£'000
Net Investment Assets	85,414
Long Term Assets	202,216
Bank Accounts	3,230
Current Assets	87
Current Liabilities	(912)
Total	**290,035**

Note 5: Employers' Surplus Refunds/Exit Payments

	2021/22	2022/23
	£'000	**£'000**
Employers' Surplus Refunds/Exit Payments*	0	1,186
Total	**0**	**1,186**

*Two employers terminated their admission agreements with the Fund where surplus refunds/exit payments were calculated by the Scheme Actuary.

Note 6: Benefits Payable

By Category	2021/22	2022/23
	£'000	**£'000**
Pensions	124,135	140,887
Commutation and Lump Sum Retirement Benefits	25,758	25,257
Lump Sum Death Benefits	5,674	5,845
Total	**155,567**	**171,989**

By Authority	2021/22	2022/23
	£'000	£'000
Administering Authority	41,337	45,710
Scheduled Bodies	97,409	102,687
Admitted Bodies	16,821	23,592
Total	**155,567**	**171,989**

Note 7: Payment to and on Account of Leavers

	2021/22	2022/23
	£'000	£'000
Refunds to Members Leaving Service	492	584
Payments for Members Joining State Scheme	(2)	(1)
Individual Transfers	2,232	3,223
Bulk Transfers*	127	0
Total	**2,849**	**3,806**

*Adjustment regarding Bulk Transfer of Visit Scotland to Lothian Pension Fund.

Note 8a: Management Expenses

	2021/22	2022/23
	£'000	**£'000**
Pension Fund Staffing Costs – Administration	1,361	1,595
Information Technology	459	474
Supplies & Services	131	161
Accommodation	426	714
Printing and Publications	11	14
Administration Expenses Total	**2,388**	**2,958**
Pension Fund Staffing Costs – Investment	192	232
Pension Fund Committee	6	2
Pension Board	1	3
External Audit Fee	43	45
Internal Audit Fee	9	11
Actuarial Fees	212	287
General Expenses	152	163
Oversight and Governance Expenses Total	**615**	**743**
Investment Management	12,692	11,328
Performance Fees	7,823	4,586
Direct Operating Property Expenses	1,184	793
Transaction Costs	2,040	921
Custody Fees	162	139
Investment Management Expenses Total	**23,901**	**17,767**
Management Expenses Grand Total	**26,904**	**21,468**

Note 8b: Investment Management Expenses by Asset Class

2022/23	Management Fees	Performance Fees	Direct Property Expenses	Transaction Costs	Total
	£’000	**£’000**	**£’000**	**£’000**	**£’000**
Bonds	75				75
Equities	4,335	2,034		837	7,206
Pooled Funds	451	1,188		84	1,723
Property	1,222		793		2,015
Private Equity	3,688	417			4,105
Private Debt	1,557	947			2,504
Subtotal	**11,328**	**4,586**	**793**	**921**	**17,628**
				Custody Fees	139
				Grand Total	**17,767**

2021/22	Management Fees	Performance Fees	Direct Property Expenses	Transaction Costs	Total
	£’000	**£’000**	**£’000**	**£’000**	**£’000**
Equities	4,919	6,939		1,984	13,842
Pooled Funds	235	407		56	698
Property	1,184		1,184		2,368
Private Equity	4,814	(54)			4,760
Private Debt	1,540	531			2,071
Subtotal	**12,692**	**7,823**	**1,184**	**2,040**	**23,739**
				Custody Fees	162
				Grand Total	**23,901**

Note 8c: Analysis of Transaction Costs

Commission £’000	Fees/ Tax £’000	2021/22 Total £’000	Asset Type	Commission £’000	Fees/ Tax £’000	2022/23 Total £’000
708	1,276	**1,984**	Equities	324	513	**837**
0	56	**56**	Pooled Funds	0	84	**84**
708	**1,332**	**2,040**	**Total**	**324**	**597**	**921**

Note 9: Investment Income

	2021/22	2022/23
	£'000	**£'000**
Bonds	0	257
Equity Dividends	21,331	19,978
Property Rental Income	17,896	18,862
Interest on Cash Deposit	130	4,790
Pooled Funds	15,993	21,894
Private Equity	2,649	3,645
Private Debt	10,268	10,139
Other (including P/L from Currency & Derivatives)	3,056	3,709
Total	**71,323**	**83,274**
Tax		
Withholding Tax – Equities	(238)	(552)
Withholding Tax – Pooled Infrastructure	0	(0)
Withholding Tax – Private Equity	(152)	(0)
Total Tax	**(390)**	**(552)**
Net Total	**70,933**	**82,722**

Note 10: Investment Assets

Reconciliation of Movements in Investments and Derivatives

	Market Value 31 March 2022	Purchases	Sales	Change in Market Value	Market Value 31 March 2023
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Bonds	0	63,010	(0)	(16,792)	46,218
Equities	2,319,608	641,102	(644,885)	(153,908)	2,161,917
Pooled Funds	2,347,495	197,477	(105,094)	(209,274)	2,230,604
Property	427,375	4,742	(3,211)	(61,706)	367,200
Private Equity	518,689	55,748	(106,805)	12,980	480,612
Private Debt	143,106	11,299	(2,525)	3,146	155,026
	5,756,273	**973,378**	**(862,520)**	**(425,554)**	**5,441,577**
Other					
Cash	196,372				219,654
Investment Income Due	2,264				2,024
Investment Sales Amount Receivable	7,155				161
Investment Purchases Amount Payable	(14,395)				0
Net Investment Assets	**5,947,669**				**5,663,416**

Reconciliation of Movements in Investment and Derivatives (continued)

	Market Value 31 March 2021	**Purchases**	**Sales**	**Change in Market Value**	**Market Value 31 March 2022**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Equities	2,258,827	3,253,202	(3,002,363)	(190,058)	2,319,608
Pooled Funds	2,308,311	315,265	(401,605)	125,524	2,347,495
Property	361,325	8,089	(2,129)	60,090	427,375
Private Equity	432,023	489,641	(516,903)	113,928	518,689
Private Debt	136,979	7,015	(2,223)	1,335	143,106
	5,497,465	**4,073,212**	**(3,925,223)**	**110,819**	**5,756,273**
Other					
Cash	124,977				196,372
Investment Income Due	9,113				2,264
Investment Sales Amount Receivable	255				7,155
Investment Purchases Returned Amount Receivable	2,788				0
Investment Purchases Amount Payable	(306)				(14,395)
Net Investment Assets	**5,634,292**				**5,947,669**

Note 11: Analysis of Investments

	2021/22	2022/23
	£'000	**£'000**
Bonds	**0**	**46,218**
Equities	**2,319,608**	**2,161,917**
Pooled Funds Breakdown:		
Bonds	1,025,291	855,510
Equities	1,090,534	965,698
Infrastructure - Unit Trust	114,011	119,333
Infrastructure - Limited Partnership	117,659	290,063
Pooled Funds	**2,347,495**	**2,230,604**
Direct Property	427,375	367,200
Private Equity	518,689	480,612
Private Debt	143,106	155,026
Other Investments	**1,089,170**	**1,002,838**
Funds held by Investment Managers	137,997	74,044
ACC Loans Fund Deposit	58,375	145,610
Investment Income Due	2,264	2,024
Investment Sales Amount Receivable	7,155	161
Other Balances	**205,791**	**221,839**
Investment Assets Total	**5,962,064**	**5,663,416**
Investment Liabilities		
Investment Purchases Amounts Payable	(14,395)	(0)
Investment Liabilities Total	**(14,395)**	**(0)**
Net Investment Assets	**5,947,669**	**5,663,416**

Note 12: Analysis of Derivatives

Futures

There were no outstanding exchange traded future contracts as at 31 March 2023.

Forward Foreign Currency

There were no outstanding forward foreign currency contracts as at 31 March 2023.

Note 13: Investments Analysed by Fund Manager

	31 March 2022		31 March 2023	
	£'000	**%**	**£'000**	**%**
Investment Assets				
State Street Global Advisors	1,582,819	26.9	1,326,129	22.9
Baillie Gifford	1,329,092	22.5	1,189,218	20.5
BlackRock Asset Management	1,018,010	17.3	1,009,413	17.4
BlackRock Renewable Power III	14,649	0.3	41,303	0.7
AAM Property (API)	465,719	7.9	380,057	6.5
AAM Property Residential	27,844	0.5	29,525	0.5
HarbourVest	374,637	6.1	326,824	5.6
ACC Loans Fund Deposit	58,375	1.0	145,610	2.5
Global Custodian	65,161	1.1	26,416	0.5
Partners Group	55,512	0.9	47,314	0.8
Maven Capital	625	0	407	0.0
Unigestion	57,276	0.9	56,938	1.0
Russell Multi Asset Credit	107,397	1.8	105,705	1.8
Aviva Infrastructure	114,011	1.9	119,332	2.1
Hermes Infrastructure	103,118	1.7	96,176	1.7
Alcentra	66,925	1.1	70,757	1.2
Hayfin Direct Lending	76,181	1.2	84,269	1.5
Insight Credit	425,610	7.2	366,558	6.3
Allianz Home Equity	4,708	0.1	19,609	0.3
IFM Global Infrastructure	0.0	0.0	152,707	2.6
Schroders	0.0	0.0	69,149	1.2
	5,947,669	**100.4**	**5,663,416**	**97.6**
Net Long and Current Assets				
Bank Account	15	0.0	938	0.0
Long Term and Current Debtors Less Creditors	(21,791)	(0.4)	139,423	2.4
Net Assets	**5,925,893**	**100.0**	**5,803,777**	**100.0**

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

Security	Market Value 31 March 2022	% of Net Investment Assets	Market Value 31 March 2023	% of Net Investment Assets
	£'000		**£'000**	
MPF International Equity Index Pooled Fund*	540,986	9.13	489,120	8.64
MPF UK Equity Pooled Fund*	549,547	9.28	476,578	8.42
Insight Investment Mgt Global Funds*	425,610	7.18	366,558	6.47
MPF UK Index Linked Gilts*	492,285	8.31	360,431	6.36
HarbourVest Tranche L	362,440	6.12	297,332	5.25

*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 2022	Collateral Percentage	31 March 2023	Collateral Percentage
	£'000		**£'000**	
Stock on Loan				
Equities	569,160		421,438	
Total Exposure	**569,160**		**421,438**	
Total Collateral	**601,644**	**106%**	**444,759**	**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

	2021/22	2022/23
	£'000	**£'000**
Opening Balance	**361,325**	**427,375**
Purchases	3,991	0
Construction	4,098	4,557
Subsequent Expenditure	0	185
Disposals	(2,129)	(3,211)
Net Increase in Market Value	60,090	(61,706)
Closing Balance	**427,375**	**367,200**

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 against the backdrop of a challenging economic outlook and financial market instability. However, the valuation is not reported as being subject to 'material valuation uncertainty' as defined in the RICS Valuation – Global Standards.

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

	2021/22	2022/23
	£'000	**£'000**
Within One Year	17,115	17,846
Between One Year and Five Years	63,016	60,388
Later than Five Years	93,432	80,089
Total	**173,563**	**158,323**

In accordance with IAS17, 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 2022-23 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 2022				31 March 2023		
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	46,218		
2,319,608			Equities	2,161,917		
2,347,495			Pooled Funds	2,230,604		
518,689			Private Equity	480,612		
143,106			Private Debt	155,026		
	196,372		Cash		219,654	
	9,419		Other Investment Balances		2,185	
	12,926		Debtors		174,641	
5,328,898	**218,717**		**Subtotal**	**5,074,377**	**396,480**	
			Financial Liabilities			
		(14,395)	Other Investment Balances			(0)
		(34,702)	Creditors			(34,280)
		(49,097)				**(34,280)**
5,328,898	**218,717**	**(49,097)**	**Financial Instruments Total**	**5,074,377**	**396,480**	**(34,280)**
			Non Financial Instruments			
427,375			Property	367,200		
5,756,273	**218,717**	**(49,097)**		**5,441,577**	**396,480**	**(34,280)**
		5,925,893	**Net Assets of the Fund**			**5,803,777**

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

31 March 2022		31 March 2023
£'000	**Financial Assets**	**£'000**
50,729	Fair Value through Profit and Loss	(363,848)
	Financial Liabilities	
0	Fair Value through Profit and Loss	0
50,729	**Net Gains and Losses on Financial Instruments**	**(363,848)**
	Non Financial Instruments	
60,090	Fair Value through Profit and Loss	(61,706)
110,819	**Net Gains and Losses of the Fund**	**(425,554)**

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 2	Valued at fair value at the year end using the investment method of valuation by Valuers under the supervision of Tim Ainsley MRICS and Claire Magowan	Existing lease terms and rentals Independent market research Nature of Tendencies Covenant Strength for	

		MRICS of Savills in accordance with the *RICS Valuation Professional Standard*	existing 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)	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 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
	£’000	**£’000**	**£’000**	**£’000**
Financial Assets at Fair Value through Profit and Loss	4,148,676		925,701	**5,074,377**
Non Financial Assets at Fair Value through Profit and Loss		367,200		**367,200**
Financial Liabilities at Fair Value through Profit and Loss	0			**0**
Net Investment Assets (Fair Value)	**4,148,676**	**367,200**	**925,701**	**5,441,577**

	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	
Values at 31 March 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
	£’000	**£’000**	**£’000**	**£’000**
Financial Assets at Fair Value through Profit and Loss	4,549,444		779,454	**5,328,898**
Non Financial Assets at Fair Value through Profit and Loss		427,375		**427,375**
Financial Liabilities at Fair Value through Profit and Loss	0			**0**
Net Investment Assets (Fair Value)	**4,549,444**	**427,375**	**779,454**	**5,756,273**

Note 18b: Transfers between Levels 1 and 2

There were no transfers between levels 1 and 2.

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

	Market Value 31 March 2022	Purchases during the year & Derivatives Payments	Sales during the year & Derivative Receipts	Realised Gains & Losses	Unrealised Gains & Losses (a)	Market Value 31 March 2023
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Infrastructure – Limited Partnership	117,659	165,686	(3,560)	3,358	6,920	290,063
Private Equity	518,689	55,748	(106,805)	56,951	(43,971)	480,612
Private Debt	143,106	11,299	(2,525)	2,525	621	155,026
Total	**779,454**	**232,733**	**(112,890)**	**62,834**	**(36,430)**	**925,701**

(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 ACCTF 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 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.

	Total
	£'000
Transfer from ACCTF of Insurance Buy In on 1 April 2022	**202,000**
Premium Adjustment including Interest	(497)
Level Pensions Paid by Insurer True Up	1,179
Level Pensions Paid by Insurer	(9,620)
Actuarial Revaluation	(35,062)
Closing Market Value as at 31 March 2023	**158,000**

Note 18d: Sensitivity of Assets Valued at Level 3

Having analysed historical data, current market trends and consulted with independent investment advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2023**.**

	Assessed Valuation Range (+/-)	**Value at 31 March 2023**	**Value on Increase**	**Value on Decrease**
		£'000	**£'000**	**£'000**
Infrastructure – Limited Partnership	26%	290,063	365,479	214,647
Private Equity	26%	480,612	605,571	355,653
Private Debt	26%	155,026	195,333	114,719
Total		**925,701**	**1,166,383**	**685,019**

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 Fund's Actuary is shown below:

		Valuation 31 March 2023	**Valuation Increase**	**Valuation Decrease**
Change in Assumptions	**Adjustment**	**£m**	**£m**	**£m**
Discount Rate Adjustment	(-/+) 0.5%	158	167	150
Life Expectancy Adjustment	(+/-) 1 Year	158	165	152

However, 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 2022/23 reporting period.

Asset Type	Potential Market Movements (+/-)
UK Bonds	8.0%
Overseas Bonds	8.0%
UK Equities	16.3%
Overseas Equities	20.5%
Pooled – Diversified Growth Fund	12.5%
Infrastructure - Other	13.0%
Infrastructure - Limited Partnership	26.0%
Private Equity	26.0%
Private Debt	26.0%
Property	13.0%
Cash	1.5%

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 2023	% Change	Value on Increase	Value on Decrease
	£'000		£'000	£'000
UK Bonds	429,465	8.0	463,822	395,108
Overseas Bonds	472,263	8.0	510,044	434,482
UK Equities	876,535	16.3	1,019,410	733,660
Overseas Equities	2,251,080	20.5	2,712,551	1,789,609
Infrastructure - Other	119,333	13.0	134,846	103,820
Infrastructure - Limited Partnership	290,063	26.0	365,479	214,647
Private Equity	480,612	26.0	605,571	355,653
Private Debt	155,026	26.0	195,333	114,719
Total	**5,074,377**		**6,007,056**	**4,141,698**

Asset Type	Value as at 31 March 2022	% Change	Value on Increase	Value on Decrease
	£'000		**£'000**	**£'000**
UK Bonds	492,285	7.5	529,206	455,364
Overseas Bonds	533,006	7.5	572,981	493,031
UK Equities	957,027	16.0	1,110,151	803,903
Overseas Equities	2,453,115	20.5	2,956,004	1,950,226
Pooled – Diversified Growth Funds	0	12.5	0	0
Infrastructure - Other	114,011	13.0	128,832	99,190
Infrastructure - Limited Partnership	117,659	26.0	148,250	87,068
Private Equity	518,689	26.0	653,548	383,830
Private Debt	143,106	26.0	180,314	105,898
Total	**5,328,898**		**6,279,286**	**4,378,510**

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 2022 and 31 March 2023 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 2022	As at 31 March 2023
	£'000	**£'000**
Cash and Cash Equivalents	196,372	219,654
Cash Balances	15	938
Bonds	1,025,291	901,728
Total	**1,221,678**	**1,122,320**

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 2023**	**Impact**	
		+ 1%	**- 1%**
	£'000	**£'000**	**£'000**
Cash and Cash Equivalents	219,654	221,851	217,457
Cash Balances	938	947	929
Bonds	901,728	910,745	892,711
Total	**1,122,320**	**1,133,543**	**1,111,097**

Exposure to Interest Rate Risk	**Asset Values as at 31 March 2022**	**Impact**	
		+ 1%	**- 1%**
	£'000	**£'000**	**£'000**
Cash and Cash Equivalents	196,372	198,336	194,408
Cash Balances	15	15	15
Bonds	1,025,291	1,035,544	1,015,038
Total	**1,221,678**	**1,233,895**	**1,209,461**

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 2023 and as at the previous year end:

Assets Exposed to Currency Risk	Asset Value as at 31 March 2022	Asset Value as at 31 March 2023
	£'000	£'000
Overseas Quoted Securities	978,422	866,225
Overseas Unquoted Securities	643,266	627,402
Overseas Unit Trusts	1,073,993	961,383
Total Overseas Assets	**2,695,681**	**2,455,010**

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 10.1%.

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

A 10.1% 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 2023	Potential Market Movement	
		+10.1%	-10.1%
	£'000	£'000	£'000
Overseas Quoted Securities	866,225	953,714	778,736
Overseas Unquoted Securities	627,402	690,770	564,034
Overseas Unit Trust	961,383	1,058,483	864,283
Total	**2,455,010**	**2,702,967**	**2,207,053**

Assets Exposed to Currency Risk	Asset Value as at 31 March 2022	Potential Market Movement	
		+9.4%	-9.4%
	£'000	£'000	£'000
Overseas Quoted Securities	978,422	1,070,394	886,450
Overseas Unquoted Securities	643,266	703,733	582,799
Overseas Unit Trust	1,073,993	1,174,948	973,038
Total	**2,695,681**	**2,949,075**	**2,442,287**

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 2023 was £220,592,000 (31 March 2022 was £196,387,000). This was held with the following institutions as shown below:

Summary	**Rating**	**Balance as at 31 March 2022**	**Balance as at 31 March 2023**
		£'000	**£'000**
Liquidity Funds			
HSBC Liquidity Funds	AA-	95,772	56,247
Bank Deposit Accounts			
ACC Loans Fund Deposit	N/A	58,375	145,610
HSBC	AA-	42,225	17,797
Subtotal		**196,372**	**219,654**
Bank Current Accounts			
HSBC Bank	AA-	0	927
Virgin Money*	A-	15	11
		15	**938**
Total		**196,387**	**220,592**

*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 2023 the value of illiquid assets was £1,292,901,847 which represented 22.3% of the Total Net Assets of the Fund (31 March 2022 £1,206,828,543 which represented 20.4% of the Total Net Assets of the Fund).

Note 20a: Long Term Assets

	31 March 2022	31 March 2023
	£'000	£'000
Insurance Buy In Contract	0	158,000
Lifetime Tax Allowance	0	189
Total Long Term Assets	**0**	**158,189**

Note 20b: Current Assets

	31 March 2022	31 March 2023
	£'000	£'000
Employees' Contributions due	2,743	3,023
Employers' Contributions due	8,069	8,853
Sundry Debtors	2,099	3,638
Subtotal	**12,911**	**15,514**
Bank	15	938
Total Current Assets	**12,926**	**16,452**

Note 20c: Current Liabilities

	31 March 2022	31 March 2023
	£'000	£'000
Sundry Creditors	23,001	24,862
Benefits Payable	11,701	9,418
Total Current Liabilities	**34,702**	**34,280**

Note 21: Related Party Transactions

Aberdeen City Council provides administration services for the Pension Fund, the costs of which are reimbursed by the Fund.

The costs of these services for the North East Scotland Pension Fund amounted to £2,044,757 (2021/22 £1,773,912).

Prior to the remittance of excess cash to the investment fund managers, surplus cash is invested as a temporary loan with the Council. At the year end this amounted to £145,610,000 (2021/22 £58,375,000) for the North East Scotland Pension Fund.

Interest was received from the Council of £1,766,627 (2021/22 £89,722) for the North East Scotland Pension Fund.

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 2021/22	**Accrued Pension 2022/23**
		£'000	**£'000**
Steven Whyte	Director of Resources	46	52
Jonathan Belford	Chief Officer - Finance	40	45

Governance

As at 31 March 2023, 10 members of the Pensions Committee and 7 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.

In 2022/23 Elected Members' had interests in First Aberdeen, SSE Plc, Santander Banking Group, SAGA, Mennico ltd, Moray Media Management, Etiom, ASCO Group Ltd, Bonsell Accounting Services, RNLI, Manhattans LTD, Carbon Reduction Analysts Ltd, Kellas Midstream Ltd, Lloyds Banking Group, taxi driving, Aberdeen City Council Social Work Department, Moray & Highlands Space Leadership Group, Moray Economic Partnership, Convention of Scottish Local Authorities, NESS Energy from Waste Project and Members Engagement Group – Moray, Unite the Union. Conflicts of Interest are managed in accordance with the Conflicts of Interest Policy or Codes of Conduct for Councillors or Employees.

Note 23: Contractual Commitments as at 31 March 2023

As at 31 March 2023 the NESPF had contractual commitment in respect of Private Equity/Debt and Global Real Estate portfolios. The undrawn commitments are outstanding call payments £589.846m (£409.736m 31 March 2022):

	Contractual Commitments	Undrawn Commitments
	£'000	**£'000**
HarbourVest	615,841	296,831
Partners Group	88,747	19,769
Maven (SLF)	6,308	44
Unigestion	101,049	43,397
AAM Residential Property	30,000	1,249
Hermes Infrastructure	100,000	9,448
Alcentra EDL	87,868	15,016
Hayfin DLF	87,868	5,081
Blackrock Renewable	80,877	44,011
Allianz Home Equity	25,000	5,000
IFM Global Infrastructure	300,000	150,000
Total	**1,523,558**	**589,846**

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:

2021/22		Income (AVCs Paid by Members)		2022/23
£'000				**£'000**
7		Standard Life		7
2,632		Prudential*		3,395

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 2022				**31 March 2023**
£'000				**£'000**
1,076		Standard Life		1,043
24,981		Prudential*		25,841

* Prudential were experiencing administrative problems. As a result of these difficulties, the above 2021-22 figures were estimates. The actual figures for 2021-22 are Income £2,838k and the Market Value £25,565k.

Note 25: Contingent Assets/Liabilities

The North East Scotland Pension Fund currently hold two insurance bonds and one cash bond. These bonds guard against the possibility of being unable to recover pension liabilities from these Admission Bodies should they terminate their participation of the Scheme. Insurance bonds are drawn up in favour of the Pension Fund and payment will only be triggered in the event of an employer default. A review of the bond requirements for the participating employers within the Fund was undertaken by the Scheme Actuary in 2021 following the completion of the triennial valuation to ensure that the bond amounts were still appropriate. As a result of the bond review and the positive funding position it was determined that no amendments needed to be made to the bonds held.

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 total, the Fund has secured guarantees for 22 Admission Bodies currently participating in the Scheme.

The Scheme Actuary (see Appendix 1) has allowed for the impact of the McCloud judgement based on the proposed remedy. In addition, a provision has been made for the full CPI pension increases on Guaranteed Minimum Pensions (GMP) benefits for members who reach State Pension Age after 6 April 2016.

There is ongoing legal proceedings in connection with a Class Action regarding investment pricing and a Summary Judgement is pending.

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 2022/23 three admission bodies exited from the Fund. Two of those were a managed exit and one where the last active member in the Scheme left employment. Following these termination events, the assets and liabilities for each employer were assessed by the Scheme Actuary. The Actuary's assessment is to determine the funding level and the deficit or surplus held in accordance with the regulations. The Fund paid two surplus refunds and collected one termination fee in respect of a calculated deficit. Scheme Actuary signed termination certificates were issued to each of those employers to confirm that the liabilities had been discharged.

A Deferred Debt Arrangement (DDA) allows an Administering Authority greater flexibility in their approach to employers exiting from the Scheme. It allows an employer to exit from the Fund over time without accruing more liabilities whilst still being able to service the termination debt. As at 31 March 2023 there are no deferred debt arrangements.

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 Director of Resources, Aberdeen City Council, Resources, Level 1 West, Business Hub 7, Marischal College, Broad 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 2023 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.
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.	Private equity £481 million. Private Debt £155 million. Pooled Infrastructure (Unquoted) £290 million. 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 Statement of Accounts was authorised for issue by the Chief Officer – Finance on 23 June 2023. 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 2023, 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:

	2021/22	2022/23
	£'000	£'000
Cost incurred/(recovered) on behalf of:		
Aberdeen City Council	2,351	2,355
Aberdeenshire Council	1,363	1,358
Moray Council	692	698
Scottish Water	1,278	1,297
Other	276	280
Total	**5,960**	**5,988**

	2021/22	2022/23
	£	£
Associated Payroll Cost	**4**	**4**

Independent Auditor's Report

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual report of North East Scotland Pension Fund for the year ended 31 March 2023 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Fund Account, the Net Assets Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the financial transactions of the fund during the year ended 31 March 2023 and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

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

Risks of material misstatement

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Reporting on other requirements

Other information

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

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

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

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

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

Michael Oliphant

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

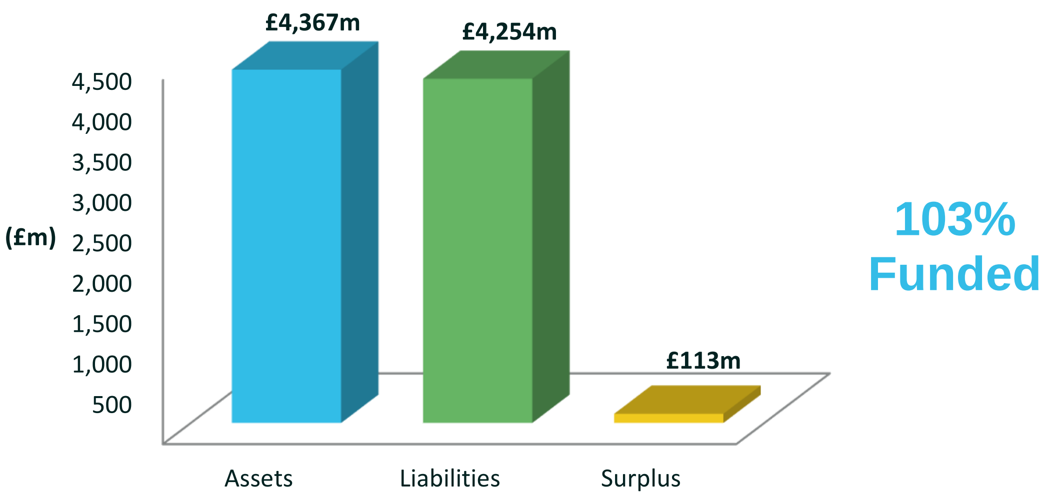
19 September 2023

Appendix 1 – Statement by the Consulting Actuary

This statement has been provided to meet the requirements under Regulation 55 (1)(d) of The Local Government Pension Scheme (Scotland) Regulations 2018.

North East Scotland Pension Fund

An actuarial valuation of the North East Scotland Pension Fund was carried out as at 31 March 2020 to determine the contribution rates with effect from 1 April 2021 to 31 March 2024.



On the basis of the assumptions adopted, the Fund's assets of £4,367 million represented 103% of the Fund's past service liabilities of £4,254 million (the "Solvency Funding Target") at the valuation date. The surplus at the valuation was therefore £113 million.

The valuation also showed that a Primary contribution rate of 21.7% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a recovery plan will be put in place which requires additional contributions to correct the shortfall. Equally, where there is a surplus, it can be offset against contributions for future service, in which case contribution reductions will be put in place to allow for this.

The FSS sets out the process for determining the recovery plan in respect of each employer. At the last actuarial valuation the average weighted spread period adopted was 12 years and the total initial surplus offset (the “Secondary rate” for 2021/24) was approximately 2.5% of pay per annum (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), including the estimated costs in relation to the McCloud judgment.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2021.

In practice, each individual employer’s position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the FSS. Any different approaches adopted, e.g. with regard to the implementation of contribution increases and surplus offset periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Solvency Funding Target and the Primary rate of contribution were as follows:

	For past service liabilities (Funding Target	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate)	3.35% per annum	3.60% per annum
Rate of pay increases (long term)*	3.60% per annum	3.60% per annum
Rate of increases in pensions in payment (in excess of GMP)/deferment	2.10% per annum	2.10% per annum
Rate of CPI Inflation/CARE benefit revaluation	2.10% per annum	2.10% per annum

* Allowance was also made for short term public sector pay restraint over a 3 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2023. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2024.

Fund merger with Aberdeen City Council Transport Fund as at 1 April 2022

On 1 April 2022 the Aberdeen City Council Transport Fund was merged into the North East Scotland Pension Fund. The next formal triennial actuarial valuation, as at 31 March 2023, will reflect this.

The figures above are prior to the merger. The valuation position for the Transport Fund is shown in the appendix. The employer will pay contributions in line with their rates set as part of the 31 March 2020 valuation until 31 March 2024.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2023 (the 31 March 2022 assumptions are included for comparison):

	31 March 2022	31 March 2023
Rate of return on investments (discount rate)	2.8% per annum	4.8% per annum
Rate of pay increases*	4.8% per annum	4.2% per annum
Rate of increases in pensions in payment (in excess of GMP)/deferment	3.4% per annum	2.8% per annum
Rate of CPI Inflation/CARE benefit revaluation	3.3% per annum	2.7% per annum

* Includes a corresponding allowance to that made in the latest formal actuarial valuation for short term public sector pay restraint. For the Transport Fund, the start of year figure was 3.8% p.a. with no allowance for short term pay restraint.

For the demographic assumptions:

- The start of period assumptions are the same as those used for the 2020 triennial funding valuation (with the Transport Fund assumptions being retained for that employer), updated to the CMI 2021 improvement table;

- The end of period assumptions are updated to reflect the demographic study carried out as preparation for the 2023 actuarial valuation, with the long term mortality improvement rate set to 1.5% p.a.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2022 was estimated as £6,333 million, including an estimate of the potential impact of the McCloud Judgment.

The movement in the value of the Fund's promised retirement benefits for IAS 26 is as follows:

Start of period liabilities*	£6,333m
Interest on liabilities	£175m
Net benefits accrued/paid over the period*	£96m
Actuarial gains (see below)	(£2,006m)
End of period liabilities	**£4,598m**

**This includes the £226m from the Transport Fund.*
***This includes any increase in liabilities arising as a result of early retirements.*

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2023 is therefore £4,598 million.

Key factors leading to actuarial gains above are:

- Change in financial assumptions: Corporate bond yields increased significantly over the year, with a corresponding increase in discount rate from 2.8% p.a. to 4.8% p.a. In addition, there has been a reduction in long term assumed CPI from 3.3% p.a. to 2.7%. In combination, these factors lead to a significant reduction in liabilities;

- Change in demographic assumptions: As noted above, the assumptions have been updated to reflect the proposed 2023 actuarial valuation assumptions. This acts to reduce the liabilities;

- Pension increases / high short term inflation: The figures allow for the impact of the April 2023 pension increase of 10.1%, along with the high levels of CPI since September 2022 (which will feed into the 2023 pension increase). As current inflation is higher than the long term assumption, this increases the liabilities.

Paul Middleman
Fellow of the Institute
& Faculty of Actuaries

Mark Wilson
Fellow of the Institute
& Faculty of Actuaries

Mercer Limited
May 2023

APPENDIX 1a - ADDITIONAL CONSIDERATIONS

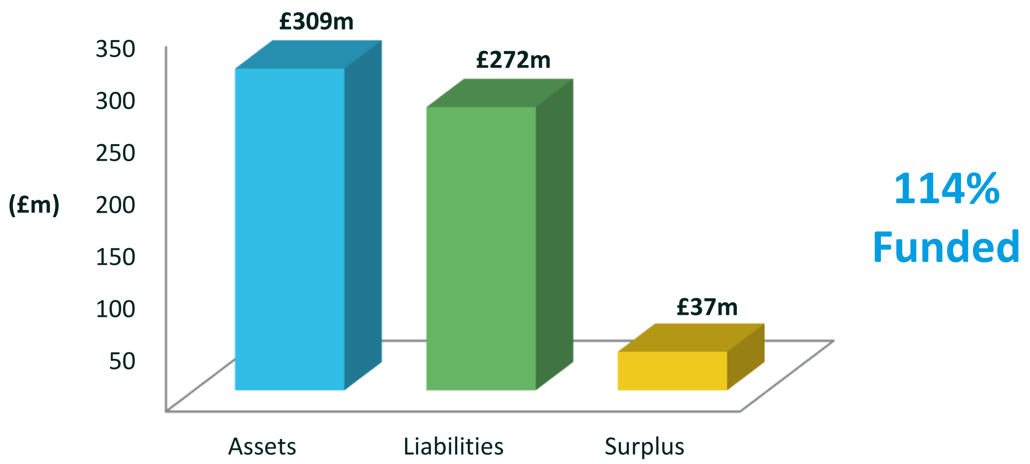
The "McCloud judgment": The figures above allow for the impact of the judgment based on the proposed remedy.

GMP indexation: The above figures allow for the provision of full CPI pension increases on GMP benefits for members who reach State Pension Age after 6 April 2016.

COVID-19 / Ukraine: The financial assumptions allow for these factors to the degree that they are reflected in the market values on which the assumptions are based. The impact of COVID-19 deaths over the period 2019/22 will be included in the actuarial gains / losses item above. The mortality assumption includes no specific adjustment for COVID-19 as our view is that it is not possible at this point to draw any meaningful conclusions on the long term impact.

Current high inflation: The period end figures allow for the impact of actual known CPI at the accounting date as noted above. The period end assumptions then allow for expected (market implied) CPI from that point.

Aberdeen City Council Transport Fund: The position for the Aberdeen City Council Transport Fund as at the actuarial valuation of 31 March 2020 was as follows:



The valuation also showed that a Primary contribution rate of 43.7% of pensionable pay per annum was required from the employer, plus an additional £140,000 p.a. of admin expenses. However, due to the surplus, secondary contributions were set such that the total payable is nil.

The valuation was carried out using the attained age actuarial method and the main actuarial assumptions used for assessing the Solvency Funding Target and the Primary rate of contribution were as follows:

	For both past and future service liabilities (Funding Target and Primary rate of contribution)
Rate of return on investments (discount rate)	0.700% per annum
Rate of pay increases (short term)	n/a
Rate of pay increases (long term)	2.750% per annum (First Aberdeen) 3.625% per annum (First Glasgow)
Rate of increases in pensions in payment (in excess of GMP)/deferment	2.250% per annum
Rate of CPI Inflation/CARE benefit revaluation	2.250% per annum

Note that the CPI assumption differs pre and post 2030. The pension increase and salary assumptions reference CPI. As such the above are broad single equivalent figures

The assets were assessed at market value (Note - the Buy In occurred after the valuation date).

Appendix 2 – Schedule of Employers

North East Scotland Pension Fund

	Employers as at 31 March 2022	New Admissions	Ceased	Employers as at 31 March 2023
Scheduled Bodies	10	0	0	**10**
Admission Bodies	36	1	3	**34**
Total	**46**	**1**	**3**	**44**

New Admissions during 2022/23

1.	First Aberdeen	Admitted

Ceased during 2022/23

1.	Aberlour Child Care Trust	Admitted
2.	Osprey Housing	Admitted
3.	Forth and Oban (Shire)	Admitted

Participating Employers as at 31 March 2023

1.	Aberdeen City Council	Scheduled
2.	Aberdeenshire Council	Scheduled
3.	Moray Council	Scheduled
4.	Scottish Water	Scheduled
5.	Grampian Valuation Joint Board	Scheduled
6.	Scottish Fire and Rescue Service	Scheduled
7.	Scottish Police Authority	Scheduled
8.	North East Scotland College	Scheduled
9.	Moray College	Scheduled
10.	NESTRANS	Scheduled
11.	Robertsons Facilities Management (Shire)	Admitted
12.	Bon Accord Care Ltd	Admitted
13.	Bon Accord Support Services Ltd	Admitted
14.	Aberdeen Heat & Power Ltd	Admitted
15.	Station House Media Unit	Admitted
16.	Aberdeen Sports Village	Admitted
17.	Sport Aberdeen	Admitted
18.	Robertsons Facilities Management (City)	Admitted
19.	Forth and Oban Ltd	Admitted
20.	Alcohol and Drugs Action	Admitted
21.	Idverde UK	Admitted

22. Xerox (UK) Ltd	Admitted
23. Aberdeen Endowments Trust	Admitted
24. North East Sensory Services	Admitted
25. Fraserburgh Harbour Commissioners	Admitted
26. Peterhead Port Authority	Admitted
27. Robert Gordon University	Admitted
28. Robert Gordon's College	Admitted
29. Aberdeen Cyrenians	Admitted
30. Mental Health Aberdeen	Admitted
31. Fersands and Fountain Community Project	Admitted
32. SCARF	Admitted
33. Inspire	Admitted
34. St Machar Parent Support Project	Admitted
35. Printfield Community Project	Admitted
36. HomeStart Aberdeen	Admitted
37. Aberdeen Foyer	Admitted
38. HomeStart NEA	Admitted
39. Pathways	Admitted
40. Outdoor Access Trust for Scotland	Admitted
41. Aberdeen Performing Arts	Admitted
42. Sanctuary Scotland Housing Association Ltd	Admitted
43. Scottish Lighthouse Museum	Admitted
44. First Aberdeen	Admitted