

AUDITED

ANNUAL REPORT AND ACCOUNTS

2025/26



Lothian Pension Fund in numbers

58,389



NUMBER OF BENEFIT STATEMENTS DELIVERED LAST YEAR

£11.1 billion +

AMOUNT OF FUNDS MANAGED BY LPF



Multi Award Winners



LGC FUND OF THE YEAR (LARGE)



LGPS FUND OF THE YEAR (ASSETS OVER £3BN)



LAPF INVESTMENT AWARDS 2025,
BEST PUBLIC SECTOR TEAM IOIC AWARDS 2025

95.5%

member
satisfaction
score



We're proud of all of our accreditations



LPF has a direct property
portfolio of approximately

£400m

which we actively
asset manage.



47%

Women in
our top three
leadership
layers

90,850

NUMBER OF MEMBERS WE SERVE



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A MESSAGE FROM THE CONVENOR OF THE PENSIONS COMMITTEE

Quite simply, 2025 has been an incredible year for LPF with significant progress made in delivering LPF's long term strategic vision. Alongside maintaining consistently strong operational performance, we were proud to achieve three major industry awards recognising the quality and impact of our work and, more importantly, the dedication of our teams. This truly demonstrates LPF's vision: to deliver outstanding pension and investment services for the benefit of our members and employers, which is embedded in all that we do. In collaboration with the Pension Board, LPFI, and LPFE, the Committee undertook a comprehensive Governance Review, with the overall aim to ensure that our governing frameworks continue to support transparent, effective decision making as we look ahead. With a particularly full programme of committee business throughout the year, we have remained focused on strengthening resilience, deepening our own capabilities to be well positioned for the future with confidence. These achievements provide a strong foundation as we enter a new year.

Reflecting on the work of the Pensions Committee, over the past year we have reviewed LPF's strategic direction and agreed that the overall strategy sets out ambitious objectives focusing on continuous improvement, increasing capabilities and deepening partner relationships. The Governance Review was a substantial piece of work for the Committee which spanned a six month period. It involved a cross section of stakeholders from LPF's governance fora and followed a



robust process, with support from an independent external consultant. The overall finding being that LPF Governance was somewhat effective, with a number of improvement actions for the Committee to take forward to strengthen and achieve excellence in governance across the fund. Developing and maintaining skills and knowledge remains a key commitment

of the Committee. Over the past year, work to deliver the LPF Knowledge and Development Strategy for Committee and Board members continued. Highlights included a tailored annual training programme and access to a new online learning platform to ensure that Committee members are well equipped with the appropriate knowledge to take

A MESSAGE FROM THE CONVENOR OF THE PENSIONS COMMITTEE

decisions in the best interests of the fund, its members and employers.

People continue to be at the heart of what we do. To ensure our workforce has the skills and capabilities to deliver its services to its members and employers, in 2025, we welcomed our new Chief Operating Officer who set to work building skills and redesigning structures to enhance service delivery across the Pensions Operations Team.

As the cyber security threat environment continues to evolve,

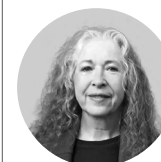
the fund has strengthened its focus on information and cyber security. During 2025 specialist security governance resource has been added within the IT team which led to improved oversight of risks, incidents, and assurance activity. Following a successful inaugural Trainee Pension Administrators intake into the Training Academy, a second cohort has been recruited and trained over 2025, again building key in-house skills. To highlight a further people success, LPF's Communications team received the accolade of Best Public Sector or Not-for-Profit Team (1–5 people), one of the three awards achieved in 2025.

Promoting and deepening our Collaboration efforts remains a key strategic aim for LPF. Investment services continue to be provided to partner funds via LPFI. In the past year a number of events were held with partners, including an annual infrastructure event and joint training sessions which were viewed as valuable opportunities to collaborate.

As we look ahead, a key focus of the Committee will be preparing for the triannual valuation in 2026. However, the Committee cannot ignore the emerging challenges presented by global economic volatility created by the wars in both Ukraine and Iran.

I would take the opportunity to extend my sincere thanks to the Pensions Committee, Audit Sub-Committee, Pension Board, and all colleagues across LPF. Your constructive support, scrutiny and dedication continue to strengthen the way we govern and deliver for our members and employers. Our focus on enhancing governance, deepening key collaborative relationships and ensuring that our work drives meaningful outcomes remains central to our purpose.

I am confident that, with the professionalism and commitment shown across the fund, we will continue to improve how we operate and make a lasting difference for those whom the fund serves. The following pages provide a fuller account of our progress and priorities, and I trust you will find this both informative and valuable.



Mandy Watt

Convenor of the Pensions Committee
2025/26
Lothian Pension Fund
16 September 2026



A REVIEW OF 2025/26

2025 was another standout year for Lothian Pension Fund. We were proud to be recognised with two major industry honours: LGC's "Fund of the Year (Large)" and the Local Authority Pension Fund Investment "LGPS Fund of the Year (Assets over £3bn)". These awards highlight the collective achievements of colleagues across investment management, pension administration, communications, and governance – every area that contributes to delivering for our members and employers. Our Communications Team also shone, winning Best Public Sector or Not-for-Profit Team (1–5 people) at the Institute of Internal Communication Awards.

These accolades are more than trophies. They reflect the dedication, expertise, and integrity that our colleagues bring to their work every day. Being recognised among the best in the sector reinforces our commitment to exceptional service and strong outcomes for all our stakeholders.

Alongside retaining our PASA accreditation, Customer Service Excellence (CSE), Cyber Essentials Plus certification, and continuing to achieve strong independent benchmarking results, we have clear, credible evidence that we're delivering on our vision to provide outstanding pension and investment services.

At the same time, "Hubris before Nemesis" remains a core value. We know there's always room to learn, simplify, and improve. By reflecting on our experiences, good and bad, we ensure we keep evolving to better serve our members.



Challenging Times

The external environment is more challenging than it's been for some time. President Trump continues to dominate the geopolitical and economic agenda, reshaping long-standing international relationships. Artificial Intelligence (AI) is driving incredible amounts of investment, whilst the use of AI is creating both opportunities and uncertainties for businesses and for jobs.

Stock markets have been volatile during the year, starting with

tariff tapers in early April 2025, rising strongly through the remainder of 2025, before finishing the financial year more negatively, as the tensions in the Middle East escalated into open conflict.

Strong investment performance over the three-year period and the further recent increase in interest rates mean that, despite higher inflation increasing the value of pension benefits, the fund is expecting to show an improved funding position at the 31 March 2026 valuation point.

Whilst this will be welcomed by all, there will be particular interest from employers in whether, and to what extent, this may enable reductions in employer contribution rates. Work on the valuation has begun, and we'll be working closely with the scheme actuary and Pensions Committee, and engaging fully with employers. In doing so, we'll seek to balance the fund's long term financial strength with stability in contribution rates, recognising the financial pressures many employers are facing and their desire for lower rates.

Pension Reforms

The UK Government continued to progress pension reforms, with the Pensions Bill seeking to enact the 'fit for the future' reforms to the English and Welsh LGPS. Although the bill has no direct immediate impact in Scotland or for LPF, a Legislative Consent Memorandum will give the Scottish Government parity

A REVIEW OF 2025/26

of powers and enable it to make equivalent changes in Scotland should it choose to do so (and after appropriate consultation).

LPF's predominantly internal investment model, together with its collaboration with like minded funds through its FCA regulated investment company, closely mirrors the reforms being introduced to the LGPS in England and Wales. We'll continue to monitor these reforms and ensure LPF remains well placed to thrive, whether through the introduction of similar measures by the Scottish Government or by choosing to align where we believe it's in the best interests of our members.

Focussing on our Members

Our core purpose is paying benefits to our members and their dependents. During 2025/26 we paid out £272m in pensions to 39,000 members, whilst a further 5,153 new members joined the fund.

We upgraded our My Pension Online web portal with a more modern look and feel, including personalised annual benefit statements for members.

Following successful connection to the Pensions Dashboard at the end of October 2025, we continue to wait for the UK Government to announce the public launch of the service.

We delivered three member webinars during Pension Awareness

Week in October 2025. We were delighted that 690 members attended, with feedback overwhelmingly positive: 94% of respondents rated the sessions four or five stars, and 96% said the sessions improved their understanding of how their pension works.

Building on this success, we plan not only to repeat the webinars in 2026 but to expand the programme to include more targeted topics. Likely sessions include "Approaching retirement: what happens and how to prepare" and "Boosting your pension: additional voluntary contributions and other options."

More broadly, member satisfaction levels remain high, with 91% responding positively to our feedback requests. Employers similarly continue to report positive experiences of our engagement with them.

Investments

In 2026 the fund achieved an overall investment return of +8.7%, making both the three and five year annualised returns +5.5%. This was achieved in the context of very strong listed equity returns for the year (broad market +17.5%) and lower but positive returns from index-linked Gilts (the over 15-year index return was +3.2%). The Fund return in 2026 was in line with

expectations given our asset allocation and strategy.

The investment team appointed Royal London to manage a sterling corporate bond mandate, meeting our responsible investment criteria with the resulting fund being made available to both Falkirk and Fife pension funds. We also worked with Falkirk and Fife pension funds in several joint procurement exercises.

We have a strong desire to invest responsibly and be a good steward of capital, so we were delighted to retain the Financial Reporting Council's Stewardship Code accreditation. Our Stewardship Report gives detailed information on our approach to environmental, social and governance issues whilst our ESG ezine ENGAGE explains and illustrates these issues in a more accessible format for our members.

During the year, our new Climate Change Policy raised the bar on how we support the transition to a net zero world. At the same time, climate related risks, investments in defence companies, and investments connected to Israel continued to be topics of keen interest to members. Some groups made deputations to the Pensions Committee to express their views and the actions they believe the Fund should, or could, take.



Pensions paid: During
2025/26 we paid out
£272m

A REVIEW OF 2025/26

Governance, Systems and Controls

Following the completion of an independent governance review in 2025, alongside Board effectiveness reviews earlier in the year, we confirmed that an effective governance model is in place. Demonstrating our ongoing commitment to continual improvement, the Committee, Boards and Management have supported an action plan aimed at strengthening governance further and moving from effective towards excellent.

Similarly, the risk team procured a risk management system during 2025 and started to roll it out in 2026. This will lead to efficiencies and improvements in our understanding and management of risks and issues.

We increased the size of our IT team during 2025 as we continued to enhance our IT systems management and information security frameworks and processes. During the year, the team completed the migration to a cloud only environment and, working closely with third party suppliers and business owners, continues to ensure our systems are robust, secure and resilient, supporting continuity of service and the security of our information.

People

We firmly believe that our colleagues are our biggest asset. Our social commitment is to be a good employer and a great team

and we're proud that so many of our colleagues participated in charity events and fund raising during the year. We also continue to work with Future Asset and GAIN (Girls Are Investors Network) to help encourage gender diversity in the asset management sector.

This focus on our colleagues reflects positively on the organisation. High engagement scores of 83% and low turnover of 2.1% demonstrate a motivated workforce while also minimising the costs and disruption associated with recruiting and training replacements.



We launched our Pensions Administration Training Academy during 2025, and we'll be looking to invest more in supporting learning and development (L&D) and supporting colleagues' career aspirations in 2026 and the years to come.

Outlook

Whilst the external environment remains challenging, we'll continue to focus on what we can control. The valuation is a critically important exercise and will be a clear priority for the year ahead. Alongside this, progressing the recommendations from the governance review, enhancing our learning and development and performance processes, and delivering the initiatives set out in our business plan across each team will remain key priorities for the management team.

Above all, the pensions team will maintain a relentless focus on meeting the needs of our members and employers, paying pensions on time and delivering the highest possible standard of service. The investment team will continue to invest responsibly, ensuring we meet our financial objectives while keeping the cost of providing benefits as low as possible.

Whilst the world continues to evolve, our purpose, vision and values will endure.



David Vallery
Chief Executive Officer
Lothian Pension Fund
16 September 2026

GOVERNANCE AND RISK

Effective governance and control structures are key to a well-controlled and successful organisation. For example, they define roles and responsibilities and set out decision-making processes. They also allow a wide range of risks to be identified, effectively managed and mitigated.

LPF's existing governance and control environment provides a solid foundation, acting to give employers, members and stakeholders confidence.

We remain committed to continuous improvement, and we've continued to strengthen our governance, internal controls and risk management arrangements during the year.

This section provides an overview of how our governance, control and risk management processes have operated during the reporting period.

The Annual Governance Statement and Governance Compliance Statements are set out later in this report.

Our comprehensive website also provides easy access to all relevant pension information at www.lpf.org.uk. This includes our Annual Report and Accounts, Statement of Investment Principles, Funding Strategy Statement, LPF Pension Administration Strategy and Administering Authority Discretions Policy.

The Governance Report

LPF and SHPF are Local Government Pension Schemes. The City of Edinburgh Council (Council) is the Administering Authority, which means that the Council has statutory responsibilities for the administration of the funds. In practice, a Committee and Board structure and delegations' model is in place to support our governance framework.

The Pensions Committee and Pensions Audit Sub-Committee

Initially, subject to matters reserved to the Council, the Council delegates its oversight as Administering Authority of the funds to the Pensions Committee (Committee), supported by the Pensions Audit Sub-Committee (Sub Committee).

Membership and Appointments

The Committee is appointed under Section 57 of the Local Government (Scotland) Act 1973. Under its Terms of Reference, the Committee must be made up of seven members. This includes five elected members of the Council providing proportionate elected representation of political parties and two external members representing the employers and members in the funds.

Members of the Committee are appointed with the final approval of the full Council. The five elected members of the Committee are appointed for an unspecified tenure, with the election cycle of Local Government elections having an impact on the Councillor membership. The membership of the Committee is also reviewed each year by the full Council, which may result in membership changes.

COLLEAGUE PROFILE LOUISE SNOWIE, INVESTMENTS

Louise joined in October 2024 as a surveyor in the Real Assets team, supporting the property portfolio. Her role focuses on real estate acquisitions and disposals, alongside asset management, helping to generate long-term returns and deliver sustainable value.

"Since joining LPF, I've really enjoyed being part of a collaborative and knowledgeable team within the property function. The variety of work across acquisitions, disposals and ongoing asset management has given me great exposure to different aspects of the portfolio. I've found it particularly rewarding to contribute to decisions that support long-term value for our members."



GOVERNANCE AND RISK

The external members of the Committee are appointed for a specified term following a formal and transparent search process in accordance with LPF's Nominations and Appointments Policy which sets out an appointment process for non-elected Pensions Committee members.

The Sub-Committee is made up of three members of the Committee, two of which must be elected members of the Committee. Members of the Sub-Committee are appointed by the Committee.

During the reporting period, there were changes to the membership of the Committee. Councillor Kate Campbell joined the Committee on 19 June 2025, replacing Councillor Adam Nols-McVey. Councillor Campbell subsequently stepped down and was replaced by Councillor Denis Dixon on 18 December 2025.

During the financial year, the Pensions Committee met on five occasions, including an additional meeting held in April 2025. The Pensions Audit Sub-Committee met on four occasions. The table sets out the members and their attendance for 2025/26.

COMMITTEE MEMBERS FROM 1 APRIL 2025 - 31 MARCH 2026

NAME	MEMBERSHIP			PENSIONS COMMITTEE	PENSIONS AUDIT-SUB COMMITTEE
Councillor Mandy Watt	●			5/5	n/a
Councillor Neil Ross	●	●		5/5	4/4
Councillor Steve Burgess	●			5/5	n/a
Councillor Iain Whyte	●	●		5/5	3/4
Councillor Adam Nols-McVey*	●			1/1	n/a
Councillor Kate Campbell**	●			3/3	n/a
Councillor Denis Dixon***	●			1/1	n/a
Richard Lamont (VisitScotland)	●	●	●	5/5	4/4
Nicola Brennan (Midlothian Council)	●	●		4/5	n/a

*Councillor Adam Nols- McVey stepped down from the Pensions Committee 19 June 2025.

**Councillor Kate Campbell joined the Pensions Committee on 19 June 2025 and stepped down on 18 December 2025.

***Councillor Denis Dixon appointed as a member of the Pensions Committee on 18 December 2025.

KEY TO MEMBERSHIP

- Convener, Pensions Committee
- Convener, Pensions Audit Sub Committee
- Pensions Committee
- Pensions Audit Sub Committee
- Member Representative
- Employer Representative

GOVERNANCE AND RISK

Constitution

The Committee and Sub Committee operate in accordance with LPF's Procedural Standing Orders and their respective Terms of Reference. The Standing Orders can be found on our website www.lpf.org.uk and the Terms of Reference at the Council's website www.edinburgh.gov.uk.

Committee Performance

Taking steps to appraise the effectiveness of the Committee, the Sub-Committee and LPF's governance provide an important opportunity for reflection and improvement. During the reporting period, and independently led by an external Consultant, LPF undertook a comprehensive Governance Review in the year to examine our key governance operations and arrangements. Supported by our Company Secretary, the Council's Head of Democracy and Governance, and a cross membership working group, the review focussed on whether

the current governance structure, model and processes are effective, efficient and fit for purpose

The results of the review were documented in a report in December 2025 and an action plan agreed with LPF's governing bodies, including the Committee and the Pension Board. Some examples of areas for focus in the action plan are relationships and communication, effective reporting, knowledge and expertise, roles and responsibilities, and meeting procedures. Delivery against the action plan has commenced and will continue throughout 2026.

The Committee are committed to embedding a regular evaluation process. They held a relationship building workshop during the period, aimed at strengthening working relationships across the Committee, Pension Board, Fund officers and CEC officers. Together, these activities underline the ongoing commitment to continuous improvement and high standards of governance.

The Pension Board

The Pension Board (Board) was constituted on 1 April 2015 as set out in the Public Services Pensions Act 2013 and the Local Government Pension Scheme (Governance) (Scotland) Regulations 2015. The Board is not a committee or body of the Council. Instead, as a separate statutory body it has the primary function to assist the Administering Authority. The Annual Report of the Board is provided later in this section.

Committee and Board Training and Development

LPF Training and Attendance Policy was in place throughout the period, with a requirement for Committee and Board members to attend no less than 21 hours of training each financial year. A copy of the Policy can be found on our website at www.lpf.org.uk.

On appointment, all new members of the Committee and Board also receive induction training to assist members in being as effective as possible in their new roles.

Quarterly formal training sessions are also built into the annual programme of activity in advance of each Committee meeting covering a range of topics to help support Committee and Board members to fulfill their responsibilities effectively. The detail below illustrates the topics covered at training sessions held in the financial year, as well as some external training

THE REVIEW PROCESS INVOLVED



GOVERNANCE AND RISK

events attended by some members of the Committee and the Board.

In addition, a series of joint investment training sessions were provided to the Committee and Board members, alongside partner funds Fife and Falkirk, in 2025 and 2026.

Training Topics Covered in 2025/26 included:

- TPR Code - a spotlight on scheme administration
- Investment performance measurement
- Customer experience and pension operations
- Cyber security and threat assessment
- Stewardship and responsible investment
- Preparing for the 2027 triennial valuation
- LGPS pensions reforms and wider government proposals
- Procurement, including actuarial services
- Fixed Income policy groups - strategy and performance
- An introduction to an External (asset management) manager session
- Housing as an asset class.

External Events, 2025/26

- PLSA Local Authority Conference, June 2025
- LGC Investment & Pensions Summit, September 2025
- Pensions UK Annual Conference - October 2025

- LGC Investment Seminar Scotland - October 2025
- Pensions UK Investment Conference - March 2026
- Webinars provided by the scheme Actuary.

Training hours for Committee and Board members are recorded and tracked throughout the year. All the Committee and Board members achieved the required training hours during 2025/26. Collectively, Committee members attended 178.91 hours, and Board members 283.31 hours of training as at 31 March 2026.



The training and development approach for Committee and Board members (and for Directors of LPFE and LPFI Limited and senior officers of the funds) was redesigned in 2024/25, leading to the introduction of the Knowledge and Development Strategy and a revised Training and Attendance Policy. These took effect from 1 April 2025 and steps have been taken to implement the new framework throughout the reporting period.

The Knowledge and Development Framework reflect the Pension Regulator's expectations of members' knowledge and understanding and is guided by the CIPFA LGPS Knowledge and Skills Framework 2021. It uses a broader range of learning delivery methods, including the LGPS Online Learning Academy provided by Hymans Robertson and the Pension Regulator's recommended training. The Framework is supported by a three-year training plan informed by the CIPFA framework

and the outcomes of the National Knowledge Assessment completed by Committee and Board members in 2024.

Looking ahead, we'll continue to develop and implement the Framework, recognising the importance of maintaining strong skills and knowledge to support informed decision making and effective oversight of the funds.

Conflicts of Interest

All Committee and Board members have signed LPF's Code of Conduct, which sets out a number of principles for which members are required to comply. The general principles upon which the Code is based are the 'Nolan Principles'.

We have policies and procedures in place to identify, disclose and manage potential and actual conflicts of interest across the various governance forums. On appointment, and on an ongoing basis, Committee and Board members are required to notify of any conflicts of interest and any changes to the facts that may impact their involvement in their role.

GOVERNANCE AND RISK

Independent Professional Observer (IPO)

An IPO is appointed by the funds to strengthen governance. The IPO provides the Committee, Sub Committee and Board with independent observations. The IPO is invited to attend Committee, Sub Committee and Board meetings, but does not have a vote.

Senior Leadership Team

The Chief Executive Officer of Lothian Pension Fund leads the management and operation of LPF, supported by an experienced Senior Leadership Team (SLT). The reporting period saw a change in the Senior Leadership Team following the resignation of the Chief Operating and People Officer, Helen Honeyman. Helen was succeeded by Barry MacLennan,

who joined as Chief Operating Officer in October 2025.

On 15 May 2026, Jennifer O'Brien replaced Alan Sievwright as Chief Financial Officer following his resignation.

As at 31 March 2026, the SLT was made up of:

- David Vallery, Chief Executive Officer
- Emmanuel Bocquet, Chief Investment Officer
- Kerry Thirkell, Chief Risk Officer
- Alan Sievwright, Chief Financial Officer
- Barry MacLennan, Chief Operating Officer

To support good governance, the SLT meets frequently and in alignment with the cycle of committee and board meetings. Two management level committees are also in place to support

the SLT collectively discharge their responsibilities and oversee the delivery of strategic and other business priorities.

The Limited Company Boards

- LPFE and LPFI Limited (the Corporate Boards)

We have two private limited companies as part of LPF's operations: LPFI Limited (LPFI) and LPFE Limited (LPFE). Each is a company limited by shares and has, as their governing bodies, a Board of Directors. The sole shareholder in each case is the City of Edinburgh Council.

Purpose and Constitution

LPFE provides colleagues who support the activities of LPF and LPFI. LPFE therefore, in short deals with people matters which includes, recruitment, performance management and remuneration. The LPFE Board acts as the Remuneration Committee for the group. LPFI is an investment firm, authorised by the Financial Conduct Authority (FCA). It was established to support collaboration with other likeminded local government pension schemes by delivering investment services on a cost-sharing basis. It provides investment advice to our partner funds in Fife and Falkirk, managing equity and bond mandates for those partners.

Each Board of Directors operates in accordance with its governing documents, including Articles of Association, Shareholder Agreement's, and Terms of Reference.



GOVERNANCE AND RISK

Membership and Appointments

As at 31 March 2026, the LPFE Board is made up of six Directors and the LPFI Board seven Directors. During the reporting period, the LPFI Board saw an important change in membership following the retirement of Leslie Robb at the natural expiry of his full tenure on 11 February 2026. Leslie also stepped down from the LPFE Board at that same time.

Anticipating Leslie's retirement, a rigorous, transparent and openly advertised search process was undertaken in the previous period to support planned Board succession. As part of that process, Denise Le Gal was appointed as a non-Executive Director of both the LPFE and LPFI Boards during the reporting period on 9 June 2025 and assumed the role of Chair of LPFI upon Leslie Robb's departure.

The table opposite sets out the membership and attendance for the Corporate Boards for 2025/26.

The governing documents for the Corporate Boards set out the terms for the appointment and removal of a Director. Some Directors serve on the Boards because of their wider roles within the Council or as members of the Senior Leadership Team, while Independent non-Executive Directors are appointed through an openly advertised and transparent search and selection process.

MEMBERSHIP OF LPFI AND LPFE BOARD OF DIRECTORS IN 2025/26

LPFE Ltd	Meeting attendance	LPFI Ltd	Meeting attendance
Dr Deborah Smart Chair, and Executive Director of Corporate Services of City of Edinburgh Council	8/8	Leslie Robb Chair, Independent non-Executive Director	4/4
Denise Le Gal** Independent non-Executive Director	5/6	Denise Le Gal** Independent non-Executive Director	3/3
Andy Marchant Independent non-Executive Director	6/8	Emmanuel Bocquet Executive Director, and Chief Investment Officer	4/4
Leslie Robb Independent non-Executive Director	5/7	Richard Lloyd-Bithell* non-Executive Director, and Service Director: Finance and Procurement of City of Edinburgh Council	3/4
Nareen Turnbull Non-Executive Director, and Service Director: Human Resources of City of Edinburgh Council	8/8	Andy Marchant Independent non-Executive Director	4/4
David Vallery Executive Director, and LPF Chief Executive Officer	7/8	Kerry Thirkell Executive Director, and Chief Risk Officer	4/4
Councillor Mandy Watt Non-Executive Director, and Convener of the Pensions Committee	7/8	Alan Sievwright Executive Director, and Chief Financial Officer	4/4
		David Vallery Executive Director, and Chief Executive Officer	4/4

*Leslie Robb retired with effect from 12 February 2026 ** Denise Le Gal was appointed with effect from 9 June 2025. ***Appointed as Chair with effect from 6 March 2026 having been Chair-elect from 12 February 2026

GOVERNANCE AND RISK

Corporate Board Activity

The LPFI and LPFE Boards meet quarterly as standard, with a fifth meeting for the LPFE Board held each January in its capacity as a Remuneration Committee for the LPF group coordinated to support key deliverables in the pay cycle. In addition, for FY25/26, the LPFE Board held three additional ad hoc meetings to address specific matters, such as the oversight of the recruitment of the Chief Operating Officer. On each occasion reports are presented to the Corporate Boards on performance against strategic objectives and budgets. The Corporate Boards also met for informal strategy sessions in November 2025 and February 2026.

While not intended to represent a complete list, examples of the Corporate Boards activity during 2025/26 are shown in the table.

All directors have access to the advice and services of a Company Secretary in relation to the discharge of their duties on the Corporate Boards, including all matters related to LPF’s governance. The Company Secretary is a standing attendee at each of the Board meetings. Members of the SLT also regularly attend meetings, for example the Chief Operating and People Officer is a regular attendee at LPFE Board meetings.

All directors are required to sign LPF's Code of Conduct. Registers of Interest are maintained and directors are required

LPFI Ltd	LPFE Ltd
• Considered collaboration opportunities with existing or new partner funds • Reviewed and approved the Internal Capital Adequacy and Risk Assessment (ICARA) and approved the ICARA Policy and Wind-Down Plan • Considered the annual MLRO Report • Met with the Internal Auditor • Considered Client satisfaction • Considered Information Systems and Security • Approved the Capital Liquidity Risk Management Policy	• Reviewed matters related to remuneration • Oversight of the recruitment of SLT members in the period • Considered Supplier Management and Outsourcing • Oversight of Succession Plans • Approved FY25/26 Budget and Business Plan • Approved publication of LPFE's Financial Statements • Considered amendments to some of the key people policies, including the Whistleblowing Policy

to disclose interests on an ongoing basis. LPF's Knowledge and Development Framework also applies to the Corporate Boards. Training on Wind-down Planning is an example of training provided during the year.

All the operations, net costs and liabilities in relation to LPF, including those of LPFE and LPFI, are borne by LPF.



GOVERNANCE AND RISK

Joint Investment Forum

The Joint Investment Forum (JIF) has operated throughout the reporting period, supported by the external independent advisers, providing strategic advice to Lothian, Falkirk and Fife pension funds. In addition, LPFI advisers continue to work with officers and the external independent advisers between regular meetings by monitoring asset allocations and advising on adjustments to them within the investment strategy boundaries permitted by their respective Pensions Committees. The assets of Lothian Pension Fund, Scottish Homes Pension Fund, Falkirk Council Pension Fund and Fife Council Pension Fund remain separate.

A nominated officer from Lothian Pension Fund, Falkirk Pension Fund and Fife Pension Fund attends each JIF meeting as Client Representative members of the JIF. From 1 April 2025 to 31 March 2026 the JIF met quarterly. The table to the right sets out the JIF's Membership at the end of the financial year.

Scheme Advisory Board (SAB)

The Scheme Advisory Board (SAB) for the Local Government Pension Scheme in Scotland was set up following the Public Service Pensions Act 2013. The SAB's main function is to advise Scottish Ministers, when requested, on the desirability of changes to the Scheme. They can also provide advice to



scheme managers and pension boards in relation to effective and efficient administration and management of the Scheme in Scotland.

The SAB is made up of seven representatives from both members and employers with each group supported by a Joint Secretary. The membership has included Councillor Mandy Watt.

Brian Robertson, who had served as one of the trade union representatives on the Board since August 2022, stepped down from the Scheme Advisory Board (SAB) in August 2025.

JOINT INVESTMENT FORUM

Emmanuel Bocquet	Client Representation, Lothian Pension Fund and LPFI (Advisor)
Stephen Jones	External Advisor
Stan Pearson	External Advisor
Elaine Muir	Client Representative, Fife Pension Fund
Amanda Templeman	Client Representative, Falkirk Council Pension Fund

He reported his resignation from the SAB to the Board in September 2025. There's more information on the SAB at www.lgpsab.scot.



TOM HOWORTH

“As Chair of the Pension Board, I am pleased to present this report covering the period from 1 April 2025 to 31 March 2026. I would like to begin by recognising the contribution of my predecessor, Darren May, who stepped down during the year. Darren showed great commitment to both the Fund and the work of the Board over many years, and I would like to extend my sincere thanks for his valuable contribution.

The year has brought further changes to the Board’s membership as set out more fully later in this report, including the appointment of new Employer and Trade Union representatives. I would like to formally welcome those new members and, again, extend my sincere thanks to all my fellow Board members for their continued dedication and contribution throughout the year. As voluntary members, their time, expertise and commitment are invaluable to the effective operation of the Board and the fund.

Supporting new members as they join the Board remains a priority, and we are committed to ensuring they are well equipped to navigate their role and the complexities of the LGPS landscape. This has been strongly supported by the continued implementation of the fund’s Knowledge and Development Strategy introduced last year. It has played an important role in equipping both Board members with the skills and knowledge needed to fulfil their role in assisting the Scheme Manager. It has also strengthened governance by reinforcing the importance of continuous learning.

A major focus for the Board this year has been contributing to a comprehensive review of governance effectiveness across the fund. This has been carried out collaboratively with the Pensions Committee, fund officers, the Independent Professional Observer and external consultants. This work marks an important step in ensuring that governance arrangements remain robust, transparent and well positioned for the future, and includes some Board specific recommendations to continue to enhance our own operations.

Over the course of the year the Board also received updates on important matters related to the administration of the fund, including Pensions Dashboard and the implementation of the McCloud judgement, including the actions being taken by the fund and the potential impact on members. The Board has sought assurance that appropriate processes are in place to ensure compliance with legislative requirements.

Looking ahead, a key priority of the Board will be overseeing the implementation of improvement actions arising from the governance review. 2026 also brings the triennial valuation; a legislative requirement to assess the financial health of the funds and set employer contribution rates for a subsequent three-year period.



As a Board, we will continue to provide constructive challenge and seek assurance that the fund operates in line with regulatory requirements, best practice, and in the best interests of its members and employees. Continuing to build strong, collaborative relationships with the Pensions Committee, fund officers, the Independent Professional Observer and other key stakeholders will remain central to our approach.

The following report provides further detail on the work of the Board in fulfilling its responsibilities during the year.”

Chair of the Pension Board, (2025/26)





Function of the Pension Board

The 2015 Regulations set out the primary function of the Board which is to “assist the Scheme Manager” of the funds (the City of Edinburgh Council) to secure compliance with legislation relating to the governance and administration of the funds. An important aspect of this responsibility is the need to secure compliance with any requirements issued by The Pensions Regulator for Public Service Pension Schemes.

While not a formal decision-making body, the Board has an important role through advising, challenging, monitoring and assisting the scheme manager. This includes the management of risks and helping to ensure the scheme manager, acts in the best interests of both the members and employers of the scheme.

The Board operates in accordance with a Constitution originally agreed in December 2014 when pension boards were established under legislation. It has been reviewed and updated over time, most recently on 25 March 2025, to reflect enhancements identified through the LPF Governance Review and to strengthen governance arrangements.

Membership

The 2015 Regulations prescribe the structure of a pension board, requiring an equal number of representatives appointed by scheme employers and relevant trade unions.

Several changes in the Board’s composition were seen in the past year:

- The Chair of the Board is normally rotated on an annual basis between the employer and the trade union representatives. Darren May (Employer Representative) stepped down from the Board on 28 October 2025, having served as Chair since September 2024. Tom Howorth (Trade Union Representative) was subsequently appointed as Chair on 4 November 2025, following his period as Vice-Chair since 1 April 2025. Tom’s appointment ensured a smooth transition and continuity of leadership
- The role of Vice-Chair was introduced in 2024 and is rotated on the same basis as the Chair of the Board. Sharon Dalli (Employer Representative) was appointed as Vice-Chair on 4 November 2025, providing continued support to the Chair and maintaining the Board’s strengthened leadership structure
- The Board also welcomed and bid farewell to several members over the course of the reporting period. From a Trade Union Representative perspective, Luke Henderson joined (Unison) on 22 April 2025. Tony Beecher stepped down on 25 March 2026, concluding his period of service on the Board. In terms of Employer Representatives, Jill Brownell stepped down on 17 July 2025. Jennifer Simpson was subsequently appointed as an Employer Representative on 27 January 2026. The Board formally records its appreciation for the contribution made by Jill and Tony during their tenure.

These changes reflect the Board’s ongoing commitment to maintaining a skilled and representative membership, supporting the effective governance of the fund.

All appointments were carried out in accordance with the fund’s Nominations and Appointments Policy.

As at 31 March 2026, the Board had eight members. Two vacancies remained at the year-end: one Employer Representative and one Trade Union Representative (Unite). Recruitment to fill these posts is under way. All Board members have equal voting rights.



Attendance

Typically, the Board meets on a quarterly basis, aligned to the meeting cycle of the Pensions Committee. It met on four occasions during the financial year, in June, September, December 2025 and March 2026. In addition, the Pension Board held an extraordinary meeting in November 2025 to consider specific items of business. All meetings were quorate.

The Board also attended all Committee meetings held during the period. Similarly, in accordance with the Sub Committee’s Terms of Reference, two members of the Board can attend Sub Committee meetings. While the Board participates in Committee and Sub Committee meetings, its members aren’t entitled to vote in those meetings. The Board can, however, ask the Committee to carry out a review of any decision as part of



TRADE UNION REPRESENTATIVES

		Meeting attendance
Tom Howorth	Unison	5/5
Tony Beecher*	Unite	2/5
Thomas Carr Pollock	GMB	4/5
Brian Robertson	Unite	4/5
Luke Henderson*	Unison	5/5

EMPLOYER REPRESENTATIVES

Darren May*	Scottish Water	2/4
Sharon Dalli	Police Scotland	3/5
Alan Williamson	Edinburgh College	5/5
Jill Brownell*	VisitScotland	4/4
Jennifer Simpson*	Heriot Watt University	1/1
Karen Sutton	East Lothian Council	5/5

* Tony Beecher stepped down with effect from 25 March 2026.

* Luke Henderson was appointed to the Board with effect from 22 April 2025.

* Darren May stepped down with effect from 28 October 2025.

* Jill Brownell stepped down with effect from 17 July 2025.

* Jennifer Simpson was appointed to the Board with effect from 27 January 2026

its remit to assist with appropriate fund governance. The Board hasn't exercised that statutory right during the reporting period.

Overall, Board and Committee meetings are well attended by Board members. There was an average attendance of 82% of members at Board meetings across the reporting period, with input and constructive challenge from Board members on papers provided. The Board has worked well in the year with a collaborative approach between the Trade Union and Employer Representatives to understand and consider issues. This collaborative approach was further reflected in the Board's active contribution to the fund's governance review.

The table on the left provides a full list of the Board members, showing whether they're a Trade Union Representative, or an Employer Representative, and their attendance.

Board Activity

The Board's activities are intended to provide assurance that the funds are being administered effectively and efficiently. Therefore, Board meeting agendas usually include items such as:

- **Review of reports prepared by fund officers for the Committee, with discussion of key issues arising from Sub-Committee meetings.**

The reports presented to the Board during the year covered a

wide range of issues relevant to the effective operation of the fund. They supported informed discussion and constructive challenges with Board members actively raising questions on reports at Committee meetings, helping the Board assist the Scheme Manager in securing effective governance and administration.

By way of illustration, the Board considered reports and updates relating to the ongoing McCloud Rectification Project and associated developments; Pension Reforms in England and Wales, the fund's collaboration strategy, matters related to the Employers participating in the fund, Key Performance Indicators for pensions administration and the fund's Communications Policy. The Board also considered items related to responsible investment, including the funds climate change policy and Stewardship Report, reflecting the funds commitments in this topical area.

Regular updates were received on the implementation of the funds Business Plan, alongside detailed reporting on pensions administration performance through Key Performance Indicators. The Board also maintained oversight of risk management and compliance, including reports from officers on the funds Risk Register and wider internal control environment.

- **Strengthened governance arrangements of the Board.**

Work has continued throughout this year to consider enhancements to and embed good governance practices more fully. As a key example, the Board has reviewed, and established,





a forward-looking plan to ensure it remains focussed on key areas related to the governance and administration of the fund. The Board has, throughout the year, valued the observations and support provided by the Independent Professional Observer (as a key aspect of the funds governance) who has attended each of the Board meetings.

Most notably, and as previously referred to, the Board were pleased to be able to contribute to the fund's Governance Review. A particular highlight was a relationships workshop held in September 2025 involving the Pensions Committee, the Board, and fund officers, facilitated by external consultants. This session provided a valuable opportunity to step back from routine business and focus on strengthening collaboration and relationships and to consider informally matters related to the governance of the fund, reinforcing positive behaviours.

The Board welcomes further opportunities to work collaboratively with the Committee and colleagues across the Administering Authority and LPF to continue building strong, effective, and transparent governance arrangements.

• Training and development.

A more comprehensive view of training and development requirements is set out earlier in the Governance and Risk section.

Notably during the year, Board members showed strong commitment to their continuous development, not only by



attending in-house quarterly training events but by undertaking eight online learning modules aligned to the CIPFA Knowledge and Skills Framework which applies to all individuals responsible for the management of a LGPS or who have a decision making, scrutiny or oversight role. Several Board members also took

part in a range of other training activities, including attendance at external events such as the Pensions UK Investment Conference 2026 and the Creating a Sustainable Future for Scottish LGPS Event.

GOVERNANCE AND RISK

Risk Management

LPF has a risk management framework in place across its business functions and group entities that brings together individual risk arrangements, governance and operations, including a toolkit and methodology for identifying, assessing, evaluating, monitoring and reporting risks and controls. It's part of the broader governance landscape and describes the arrangements, governance and operations through principles, policies and processes that help drive risk based decision-making and effective risk management. This helps to ensure the group is able to operate and demonstrate an appropriate and effective control environment which continues to facilitate and support LPF's forward looking business strategy and objectives. LPF operates within an approved risk appetite which aligns to LPF's strategy, vision and values, defining the degree of risk that LPF is willing to accept to achieve its business and strategic objectives.

The Pensions Committee and the corporate boards delegate day to day management of the Fund to officers and senior managers of the LPF group and the Risk Management Committee has been established to help oversee this. A high level LPF group risk register is maintained which describes and evaluates all key risks that LPF is exposed to and what controls and mitigating actions are in place to manage them. Our risk register is formally considered by the Risk Management Committee quarterly, but it's also updated on an ad hoc basis where required. The Risk



Management Committee oversees the implementation and ongoing effectiveness of LPF's risk management framework and comprises the SLT and other stakeholders.

An overview of monitoring and assurance activities undertaken within LPF is provided to the Pensions Audit Sub-Committee on a quarterly basis, with a summary also provided to the Pensions Committee. In addition, an outline of the key risks that LPF is exposed to is reported to the Audit Sub-Committee each quarter, with a summary of the LPF risk register included in papers for both the Pensions Committee and Audit Sub-Committee.

3 Lines of Defence

Our 3 Lines of Defence model underpins the integrity of our risk management framework:

Line 1

Business management is responsible for identifying and managing risk and making sure our activities comply with legal, regulatory and organisational requirements

Line 2

The Risk and Compliance function supports the business in managing risks and meeting compliance needs. It monitors risk and compliance levels and reports on these matters to management and governance forums

Line 3

Audit provides independent assurance on our risk management systems and how effectively they're implemented.

The most significant risks reported during the period are noted below, together with the key controls and mitigants managing those risks:

Regulatory Risk

LPF sits within a busy regulatory environment due to our operations straddling public sector regulations, financial service regulations and pensions regulations. Because of this varied legal and regulatory environment, the risk of being unable to meet regulatory obligations is managed through a combination of oversight activities, compliance procedures and policies, staff training, regulatory horizon scanning and continuous improvement. The legal and regulatory landscape is under constant review, as it adapts to political, geopolitical, economic, social and technological influences and there are several stakeholders across the organisation that work collaboratively in identifying, analysing and planning for changes, and subsequently implementing required operational or governance changes within the business.

We've been closely monitoring the LGPS reform agenda currently underway in England and Wales and will continue to do so. Although this doesn't directly impact Scotland, the outcomes

GOVERNANCE AND RISK

may nevertheless potentially influence any similar programmes north of the border, and we continue to ensure that LPF is well placed to actively respond to any extension of these reforms in Scotland.

Information Security and Data Governance Risk

The risk of inadequate cyber and data security arrangements to protect LPF from information security threats and cyber-attacks, exacerbated by mis-management or poor maintenance and protection of data continues to be a credible threat for all organisations, and LPF is no different, particularly due to our reliance on third party provided technology. The complexity of the cyber threat landscape is constant and continually evolving and we manage this risk through a comprehensive suite of technical security controls, phishing and penetration tests, complemented by an ongoing programme of training and communications, policies and standards. During the period, LPF agreed to develop its Information Security Management System in line with ISO 27001 principles. This will introduce more comprehensive controls and operating practices, strengthening the fund's ability to manage information security risks effectively.

Governance

The risk that the group structure and governance arrangements



aren't operating compliantly or effectively and with proper authority is managed through good governance business practice and secretarial activities. These include meeting and training scheduling for board and committee members, a governance portal providing access to relevant material, provision of training to relevant stakeholders, appointment of Non-Executive Directors on corporate boards, and documented delegations, and appointment of an Independent Professional Observer to the Pensions Committee. Completion of an externally led review during the period identified areas of good practice, as well as areas where improvements could be made to further strengthen arrangements. These improvements will be taken forward through a detailed programme of work during 2026.

Procurement and Third-Party Suppliers

LPF engages with a number of third-party suppliers to support its business functions. These range from ad-hoc arrangements to reliance on larger, more complex service providers. Planning for service contract renewals or new services requires careful management to ensure there's no disruption to key services and that legal and regulatory requirements are maintained, all of which needs managed in line with prescribed public procurement regulation. The drive to balance the management of a broad range of risks including, but not limited to, contractual, regulatory and reputational is key to determining agreed supplier services. Once services are established, the

ongoing risk of sub optimal service delivery, management, or oversight of third party suppliers, which could lead to disruption or errors, is managed through the Fund's supplier management framework. This framework has continued to be strengthened during the period, as expectations around service delivery and relationship management have been consistently reinforced.

Resource

Although LPF's small size contributes to key person dependencies and from time to time, capacity constraints, ensuring LPF can rely on these resources, particularly regarding subject matter experts and specialist skills and competencies, is foundational to supporting our strategy. This risk is managed through regular review of headcount, structure and resource, with review and approval of organisational plans, succession plans and recruitment. In addition to a broad operational review of pensions operations administration and management which will drive improved efficiencies and effectiveness and deliver potential development opportunities, the introduction of the LPF Pensions Training Academy during 2025 has effectively demonstrated an ability to facilitate a pipeline of resource into the Pensions Operations area and allow LPF to develop junior colleagues through a detailed programme. Additionally, the recent creation of a formal Learning and Development role to support management and colleagues across the wider business is also expected to contribute to the effective management of this risk.

GOVERNANCE AND RISK

Climate Change

LPF recognises climate change as a material risk to the Fund. It has the potential to significantly disrupt financial markets and economic systems, and affect the life expectancy of the Fund's members.

Climate change presents risks to the funding strategy:

- Lower economic growth and investment returns - tackling climate change will require significant capital investment. This may reduce growth and returns on assets during the transition to a greener economy
- More climate events - 'extreme' events, such as heatwaves or flooding, are likely to increase in frequency and adversely affect stock markets and asset valuations
- Increased volatility/uncertainty - the pace of transition to a greener economy is highly uncertain. Financial markets and other economic indicators, such as interest rates and inflation, are likely to be more volatile and unpredictable due to the uncertainty
- Life expectancy - climate change can affect human health and the longevity of the Fund's members, possibly either positively or negatively.



At the 2023 valuation, three climate scenarios were stress tested

against the results of the core valuation modelling (referred to as the 'Base' scenario). Each scenario assumed a period of disruption linked either to the impact of measures to combat climate change (transition risks) or to the fallout from it (physical risks), with the disruption leading to high volatility in financial markets and economic variables such as inflation over our standard planning horizon of 20 years. Whilst the results differ across scenarios, the differences weren't sufficiently material to suggest that the Fund's strategy isn't resilient to climate change risk. However, there's no guarantee that the traditional relationships between economic variables will hold under extreme climate change. The methodology used in the valuation considers expected returns and volatilities of asset classes in future but can't directly model the impacts of climate risk at asset class or geographic level. Work is ongoing to develop more realistic and useful climate scenarios ahead of the 2026 valuation.

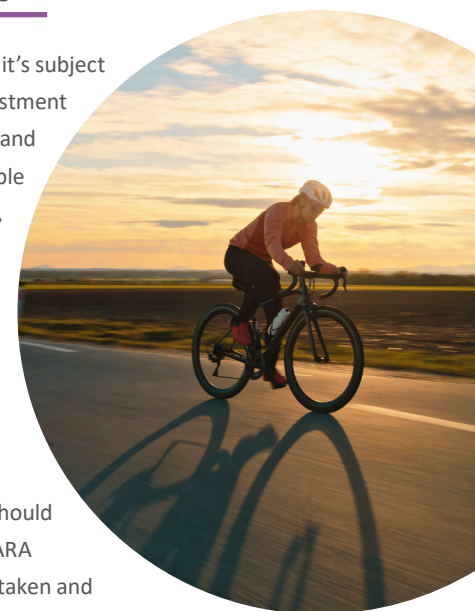
We use various monitoring tools with the aim of mitigating risk to fund assets from trends towards net-zero carbon and, more broadly, from climate change. The internal investment management team uses data services and analytical tools to monitor climate risk at as granular a level as possible. We also identify opportunities to invest in climate solutions which are detailed more fully in the Responsible Investment section. However, we consider our key role as an institutional investor is to engage with the companies in which we invest to encourage companies to adopt business models and strategies that support

the aims of the Paris Agreement. You can read more about this on p29.

Investment Firm Prudential Regime

As LPFI is regulated by the FCA, it's subject to the requirements of the Investment Firm Prudential Regime ('IFPR') and must ensure that it remains viable throughout the economic cycle, can address any harm from its ongoing activities, and that it can wind-down in an orderly manner to avoid causing harm to clients or the wider market. This means holding a minimum level of financial resources and regularly assessing how much should be held. To facilitate this, an ICARA process is required to be undertaken and regularly reviewed to ensure internal systems and controls are operating to monitor and reduce potential harm. The ICARA and the risk management framework need to be integrated to ensure all material relevant risks have been identified, articulated and assessed to ensure that risks of harm can be properly considered and accounted for.

The LPFI board has oversight of the ICARA process.



We're proud of our awards and accreditations



Lothian Pension Fund demonstrates excellence in financial performance, governance and administration. We have the highest risk-adjusted returns across LGPS over a decade (as measured by CEM).

Last year, we proudly won the LGC Fund of the Year (Large) Award at the LGC Awards in London. This marks our third award this year – a true hattrick and the cherry on top of what has been an incredibly successful year.

These awards are more than trophies – they're public recognition of the outstanding work we do every single day for our members and employers. Every one of us has played a part in this success, and we couldn't be prouder of the team we've built together.



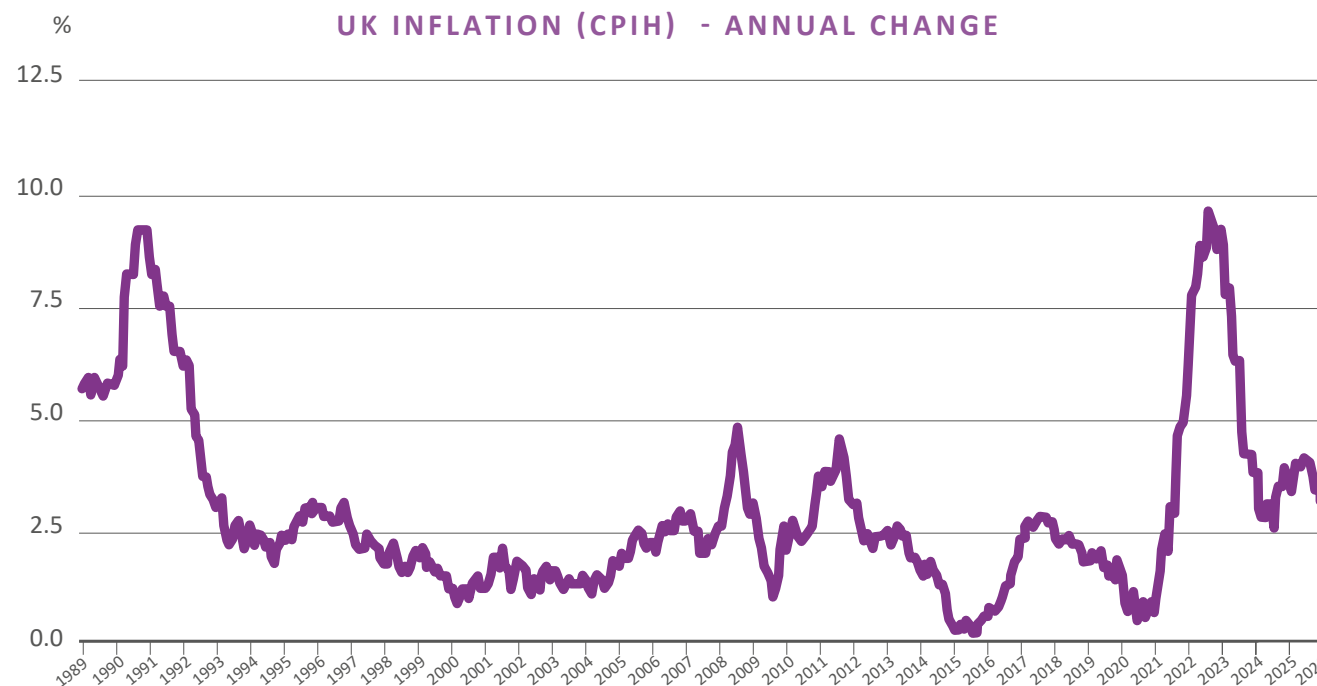
INVESTMENT

Investment commentary

For the 12 months to 31 March 2026, global equities (as measured by the MSCI ACWI index) returned 17.5% in sterling terms (source: MSCI). The period was largely characterised by strong equity market momentum, though bookended in April 2025 and March 2026 by short bouts of heightened volatility. Trump's 'Liberation Day' announcements in early April 2025 sent equities sharply lower, though they then recovered strongly into the latter half of the year and into early 2026. However, military escalation in the Middle East at the end of February 2026 and the subsequent energy shock resulted in equities ending the period off their highs. Technology stocks and AI continued to be a major theme over the period, though sentiment became more nuanced as the year progressed. Late 2025 and early 2026 saw sell-offs in the software sector on the potential for AI disruption, with investors also questioning return prospects from ever-increasing AI-related capex announcements by major tech firms.



Following the rapid rise in UK interest rates over recent years, UK government bonds traded in a relatively narrow range over the period. Gilt returns had been supported by falling inflation expectations, though this reversed sharply following the escalation of events in the Middle East. Having started the period at 4.7%, the 10-year gilt yield declined to 4.2% at end February 2026, before ending the period at 4.9%



amidst heightened rate volatility. The return on the FTSE Gilts All Stocks index (fixed rate bonds) for the year was +2.5%, while the FTSE Index-Linked Gilts All Stocks Index (inflation-linked bonds) returned +4.1%.

Corporate bond credit spreads (the difference in yields between bonds of differing quality) ended the period near

all-time historic lows, having endured similar bouts of volatility alongside equities; UK investment grade credit (iBoxx Sterling Non-Gilts) returned +4.4% over the year. Meanwhile, valuations for unlisted infrastructure and commercial real estate were stable to modestly negative, with positive total returns over the year (broadly in the range of +3-6% (source: NT)) driven primarily by income yields.

INVESTMENT

At the time of writing, much attention is focused on the Middle East, with the US and Iran continuing to exchange proposals on a draft peace agreement. But global energy supplies remain disrupted two months on from the start of the conflict and the longer the supply shock persists, the greater the cumulative impact it will have on the global economy. Stagflation risks

are rising, with the UK already seeing lower growth forecast alongside higher inflation and falling consumer confidence. At the same time, there's been a renewed surge in momentum for AI-related stocks, with many of the usual hyperscaler and semi-conductor suspects (Alphabet, Amazon, Nvidia, ASML etc) trading at or near all-time highs, as investors have gained

some measure of comfort from recently reported results. As ever, there remain ongoing macroeconomic and geopolitical challenges for market participants to navigate.



Note: all figures sourced from Bloomberg, except where noted separately

INVESTMENT



DENISE LE GAL

"This year marked a period of transition for LPFI as we thanked Leslie Robb, following the end of his tenure, for his dedicated service as an Independent non-Executive Director of LPFI and LPFE since 2017, and as Chair of LPFI since September 2023. I was delighted to join the LPFI Board in June 2025 and it has been an honour to assume the role of Chair in early 2026.

Throughout the reporting period, LPFI has remained focused on delivering high quality investment services to its partner funds, supporting their long term objectives through disciplined portfolio management, robust investment processes, and a strong emphasis on stewardship. Ensuring LPFI's systems and controls remain appropriate for an increasingly complex investment environment will remain a focus for the Board's agenda. The Board will also maintain a focus on how LPFI can support collaboration opportunities, particularly as the collaboration landscape in LGPS Scotland is rapidly evolving. LPFI is well positioned to do so as is reflected in our track record of collaboration.

Our Chief Investment Officer regularly reports on investment activity related to LPFI's remit. We have seen another strong

year, with approximately £2.9bn of assets under management at the end of March 2026; an increase of around 30% in a twelve-month period. A key priority for the year has also been the oversight of governance, risk management, and key policies and assessments which are imperative to LPFI and its regulatory requirements. The year has continued to see further refinement to LPFI's operational resilience and regulatory framework to ensure LPFI maintains sufficient financial resources, manages risks effectively and that it remains scalable.

I would like to thank Leslie for his valuable support since joining the Board, my fellow Directors, and all colleagues across the LPF Group for their continued professionalism, commitment, and contribution to LPFI's ongoing success.

The team has much to be proud of, and we look forward to the year ahead with enthusiasm for the future and with care and consideration for our partners and of course, our members."

LPFI Board Chair and LPFE Independent Non-Executive Director





A stewardship initiative for
human rights and social issues

RESPONSIBLE INVESTMENT

*'We're a proud endorser
of Advance, an initiative
focussed on human rights
and social issues for workers,
communities and society.'*

RESPONSIBLE INVESTMENT

Our investment principles

Responsible investment is a core aspect of our investment approach, and we always operate within the policy, legal and regulatory frameworks that apply to us. We invest in the interests of our beneficiaries and employers, and our fiduciary duty requires us to act in a financially prudent way, taking environmental, social and governance (ESG) factors into account where they present a financial risk.

As a public sector asset owner, we aim for high standards of transparency, while respecting commercial sensitivities, and we're understandably subject to close scrutiny. To help our many stakeholders understand the thinking behind our approach to responsible investment, we publish our [Statement of Responsible Investment Principles \(SRIP\)](#). This document sets out how we invest responsibly, broken down by asset class, to achieve our stewardship goals. It's reviewed and updated at least every three years.

Responsible investment (RI) and stewardship reporting

We publish an annual [Stewardship Report](#) that gives detailed examples of how we put our responsible investment policies into practice. Our most recent report covers the period from 1 April 2024 to 31 March 2025. It was assessed by the Financial Reporting Council, confirming our continued status as a signatory to the UK Stewardship Code. The report outlines the



key actions we take, both as a fund and in collaboration with like-minded organisations. These include voting on company resolutions and engaging with a high percentage of companies we invest in, often through our engagement partners, to encourage better corporate behaviour and reduce investment risk. We currently work with EOS at Federated Hermes (EOS) as our voting and engagement partner and also collaborate with groups such as the Local Authority Pension Fund Forum

(LAPFF), Climate Action 100+ and the Principles for Responsible Investment (PRI).

As a provider of responsible capital, we believe LPF should be an agent for positive change. Our ENGAGE ezine offers insight into our investment activity; from showing where ESG factors have influenced decisions, to highlighting award-winning environmental initiatives.

FUTURE ASSET

RESPONSIBLE INVESTMENT
*'LPF is proud to continue
working with Future Asset,
who strive to provide an
opportunity for girls to learn
about investment.'*

RESPONSIBLE INVESTMENT

Climate change

The Paris Agreement was adopted on 12 December 2015. As of January 2026, 194 members of the United Nations Framework Convention on Climate Change are parties to the agreement. In January 2025, the United States withdrew from the Paris Agreement, which took a year to come into effect.

The Paris Agreement has three main goals:

- Holding the increase in global average temperature to well below 2°C above pre-industrial levels, while pursuing efforts to limit the increase to 1.5°C, recognising this would significantly reduce the risks and impacts of climate change
- Increasing the ability to adapt to the adverse impacts of climate change, fostering resilience and low greenhouse gas emissions development, in a way that doesn't threaten food production
- Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

Separately, but as part of a wider shift in global attitudes to greenhouse gas emissions, the Financial Stability Board (FSB) of the Bank of England launched the Taskforce on Climate-related Financial Disclosures (TCFD) in 2015. The TCFD aims to “develop



voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers and other stakeholders.” Further details can be found at www.fsb-tcfd.org.

The TCFD provides guidance for investors and asset owners on how to report their approach to climate-related risks and opportunities. These recommendations are grouped into four key areas:

- Governance relates to how an organisation manages climate-related risks and opportunities
- Strategy covers the actual and potential impacts of climate-related risks and opportunities on business operations, strategy and financial planning
- Risk management describes the processes used to identify, assess and manage climate-related risks
- Metrics and targets refers to the data used to assess and manage relevant climate-related risks and opportunities.

As an asset owner, we work with peer organisations to promote the aims of the TCFD. We also engage with companies in our portfolio to encourage better disclosure, helping us integrate climate change risks and opportunities into our investment risk management, governance and strategy. Over recent years, we've done substantial work in this area, as detailed in our Stewardship Report, and in March 2025 we adopted a new [Climate Change Policy](#) to enhance and expand our approach.



RESPONSIBLE INVESTMENT

Climate change - governance

The Pensions Committee's approach to climate change risks is set out in our Statement of Responsible Investment Principles and our Climate Change Policy.

The Committee and Board consider climate-related issues as

part of their regular review of our approach to stewardship.

Climate-related risks and opportunities are an integral part of our overall investment process. The Pensions Committee is responsible for setting investment strategy and delegates implementation to officers, while taking advice from the Joint Investment Forum and working with investment managers.

Climate-related risk management is reviewed through the ongoing monitoring of all investment mandates, including scrutiny of how ESG analysis is integrated into investment decisions.



COUNCILLOR NEIL ROSS

"It remains a privilege to serve as Convener of the Sub-Committee and, together with the other members of the Sub-Committee, we have continued to support the Pensions Committee's oversight of the Fund's audit, risk and compliance monitoring. A key focus has been ensuring that robust controls and measures are in place across the Fund.

Throughout the year, we have continued to monitor the Fund's internal control environment and have considered a number of reports from the Internal Auditor (such as the Internal Audit plan, reports evaluating progress against that Plan and on the results of Internal Audit reviews). For example, in the year, the Sub-Committee considered specific internal audit reviews on fixed income dealing, member payroll and on the Investment Governance Improvement Plan. We have also considered reports from senior officers about the control environment. These have included reports on, IT & Information Systems, fraud prevention, as well as regular corporate risk updates.

The Sub-Committee continues to oversee the relationship with the External Auditor and met with Azets to discuss the results of their audit activity for this Annual Report. Looking ahead, the Sub-Committee will continue to work closely with the Pensions Committee, alongside the Independent Professional Observer and Pension Board representatives, to continue to build on LPF's governance and effective oversight of the high standards expected of LPF's audit and risk systems, controls, and other reporting. An important part of which, in 2026, will be a review of options for Internal Audit provision to ensure alignment for LPF's needs and relevant governance arrangements.

I would lastly like to extend my sincere thanks to Sub-Committee member, Richard Lamont, who will step down later in 2026, for his commitment and valued contribution."

Convener of the Audit Sub Committee



RESPONSIBLE INVESTMENT

Climate change - strategy and risk management

We recognise the significant impact that certain sectors and industrial activities have on climate change due to the magnitude of their greenhouse gas emissions.

However, we also recognise that even companies operating in carbon-intensive industries can have strategies that align (or have the potential to align) with the goal of transitioning to net zero. We don't assume these companies are "bad" simply because of their carbon-intensive histories. Within every sector, some companies will outperform while others may face challenges, which is why we consider divesting from or excluding entire sectors as inappropriate.

We see major opportunities in the broader economic transition. We aim to help reduce exposure to climate risk through our stewardship practices, including engagement and voting. We acknowledge that transitions are complex, requiring capital and time to implement and show progress. Through engagement, we aim to support and encourage corporate leaders to improve business practices, align with the Paris Agreement goals, and increase transparency on how they manage climate-related risks and opportunities, benefiting both their companies and wider society. We expect our investment managers to analyse both physical and transition risks from climate change when assessing companies

and investment opportunities. We also engage directly with companies to encourage alignment between their business strategies and the goals of the Paris Agreement. Where climate risk analysis (or any other risk) points to likely poor financial outcomes, we expect divestment. When selecting and monitoring external managers we evaluate how well they incorporate climate risks, along with other ESG risks, into their investment processes.

Our approach to engagement is supported by our voting and engagement partner. EOS engages with companies on a range of issues, including climate change. Our internal team also engages directly with company management through meetings and investment conferences. Additionally, we're a member of the Institutional Investors Group on Climate Change and the Climate Action 100+ investor initiative. We actively co-lead engagement with one of the 169 focus companies on the initiative's list of systemically important carbon emitters. More detail on our engagement and voting activity is available in our annual Stewardship Report.

We also recognise the investment opportunities arising from climate mitigation and adaptation. We invest in climate solutions, such as renewable energy projects and environmental services, and aim to benefit from the energy transition by holding greater exposure to climate solutions than to companies whose primary business is linked to fossil fuels.

We provide training and development on climate-related issues to all colleagues, including those involved in governance, management, investment decision-making and pensions administration. This helps create a strong internal culture that takes seriously both the capital risks posed by the low-carbon transition and the physical risks of climate change.

While climate change is widely acknowledged as one of the most pressing issues facing society, we see it as one of several investment risks to manage. In this sense, it's no different from any other risk. We believe in a holistic and integrated approach that considers all risks, including those related to climate.



RESPONSIBLE INVESTMENT

Climate change - monitoring and metrics

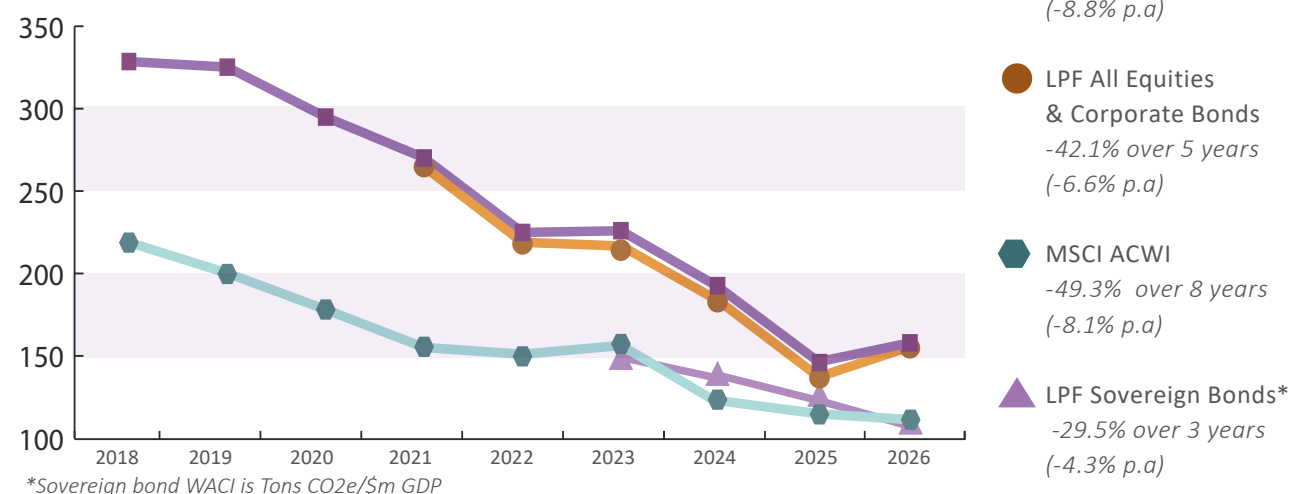
The Pensions Committee and Pension Board regularly review LPF's approach to responsible investment, including climate-related issues, as part of their oversight of the stewardship of Fund assets. Officers and the Joint Investment Forum advisers monitor the implementation of LPF's responsible investment approach within investment mandates at least quarterly.

We allocate a dedicated research budget to ESG data services and use a variety of data sources to identify asset-specific climate-related risks and opportunities. This includes assessing how well the companies we invest in align with net zero goals. We focus on identifying climate leaders and laggards within industry sectors, recognising that available tools and data continue to evolve rapidly.

Carbon footprint

Each year, we produce a carbon footprint covering our listed equity, corporate bond and sovereign bond investments. Since 2018, we've used the Weighted Average Carbon Intensity (WACI) metric to measure and report on the carbon intensity of the overall portfolio. WACI is expressed in tonnes of carbon dioxide equivalent emissions per million US dollars of company revenue (tCO₂e/\$M sales). This metric allows us to evaluate how effectively a company manages its emissions on a relative

WACI IN TONS CO₂E/\$M *Source: MSCI*



basis, rather than focusing solely on its absolute emissions.

By comparing companies with similar business activities, we can use this metric to distinguish those with better environmental practices from those with weaker ones. This analysis informs our engagement priorities and our forward-looking assessment of the risks to the Fund's invested capital from the low-carbon transition. However, we recognise that a single carbon metric doesn't tell the full story. Our investment managers use a range of data points and insights when

assessing individual investments.

The chart above illustrates how we use the WACI metric to track changes in the carbon intensity of our portfolio over time. We calculate the portfolio WACI by weighting the carbon intensities of investee companies (based on their Scope 1 and Scope 2 emissions*) according to the size of each portfolio position and then summing these weighted figures to determine the overall portfolio intensity.

* The Greenhouse Gas (GHG) Protocol defines three categories of emissions: Scope 1 emissions are direct GHG emissions that are controlled or owned by an organisation; Scope 2 emissions are indirect GHG emissions resulting from the consumption of purchased energy, such as electricity, steam, heating, or cooling; Scope 3 emissions include all other indirect emissions, such as from the production of purchased materials and fuels, transport-related activities within the supply chain, outsourced operations, waste disposal, and emissions generated by customers when using or accessing the organisation's products or services.

RESPONSIBLE INVESTMENT

Our carbon intensity has fallen by more than 50 percent since we began reporting data, and we expect the average carbon intensity of our investments to continue to decrease over the long term as the global economy decarbonises. The increase in WACI over the last year shows that annual results can be affected by volatility. This is due to the evolving availability of emissions data and the performance of particular sectors influencing the annual snapshot. Some investment allocation decisions within the equity portfolio and adding another corporate bond mandate have also impacted on our carbon intensity. Over the eight years, the average annual reduction has been 9 percent, which exceeds the 8 percent annual decline observed in the benchmark index.



Advances in data and methodology, particularly through the adoption of a standardised emissions accounting approach developed by the Partnership for Carbon Accounting Financials (PCAF), have enabled us to present combined emissions data for our equity and corporate bond holdings since 2021. Since 2023, we've also been able to calculate the Weighted Average Carbon Intensity (WACI) for our sovereign bond investments. However, because sovereign bond WACI is calculated differently, it's not meaningful to aggregate it with the corporate WACI used for our equity and corporate bond holdings.

We're committed to expanding the coverage of our emissions reporting across all asset classes as data becomes available, with

the support of our external managers and the use of estimates where necessary.

Carbon intensity figures are treated as outputs of the investment process rather than as targets. This is because these metrics can be easily manipulated. For example, we could lower our reported carbon intensity simply by selling holdings in carbon-intensive companies and replacing them with lower-emitting ones. However, this wouldn't reduce real-world emissions, as the companies would continue to operate in the same way regardless of our investment decisions.

We firmly believe that global decarbonisation will benefit both society and the environment. As such, we support real-world emissions reductions by engaging directly, or in collaboration with other investors, with companies and policymakers to encourage a shift toward a lower-carbon future.

Paris Alignment

As data from the Transition Pathway Initiative (TPI) has grown in scope and depth, it's become an increasingly important input into our investment process. The TPI provides forward-looking indicators that help us identify sector leaders and laggards and assess their alignment with the goals of the Paris Agreement.

Our involvement in Climate Action 100+ reflects our belief that supporting companies to transform their business models

is a more responsible approach than simply divesting from or excluding entire sectors. We'll continue to engage with companies in our portfolio rather than set specific carbon intensity targets at the portfolio level.

Our ambition is to increase the alignment of our investee companies with a low-carbon future by the end of 2029. We focus our engagement efforts on companies in sectors that are currently significant contributors to global greenhouse gas emissions, where successful transition is critical to achieving net zero. Further detail can be found in our Climate Change Policy.

We also engage with our external managers to understand how they're aligning investments with a lower-carbon economy and to encourage improved reporting of emissions and other sustainability metrics.

In our infrastructure and real estate investments, we use Global Real Estate Sustainability Benchmark (GRESB) data to inform reporting and monitor sustainability performance in these asset classes.



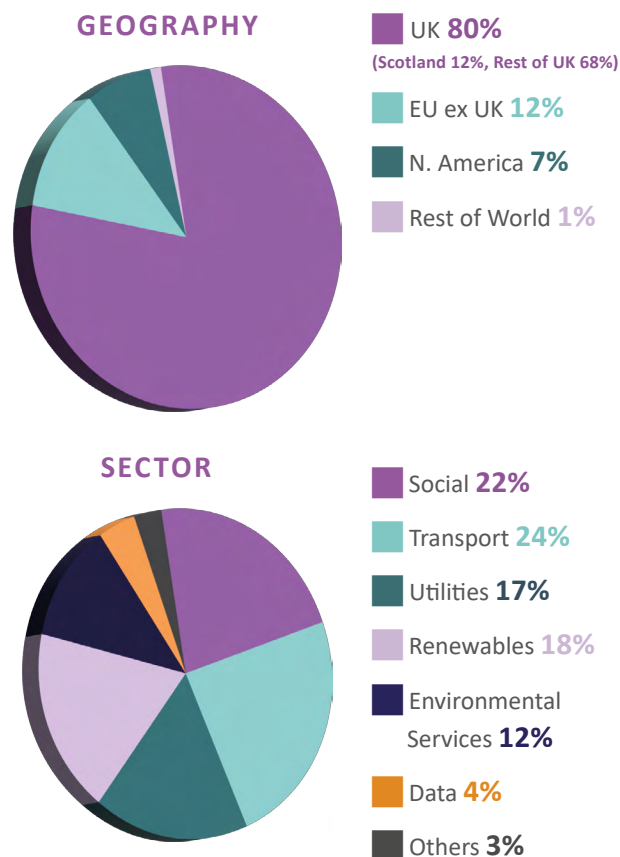
RESPONSIBLE INVESTMENT

Climate solutions

We actively monitor our investments in climate solutions, which include companies and assets that contribute to the global effort to achieve net zero emissions. The most direct examples of these investments are found in our infrastructure portfolio. Although the portfolio is diversified, it includes targeted investments in renewable energy and energy transition assets, such as electricity transmission infrastructure (within the utility sector), electric trains (transport sector), and energy-from-waste facilities (environmental services).

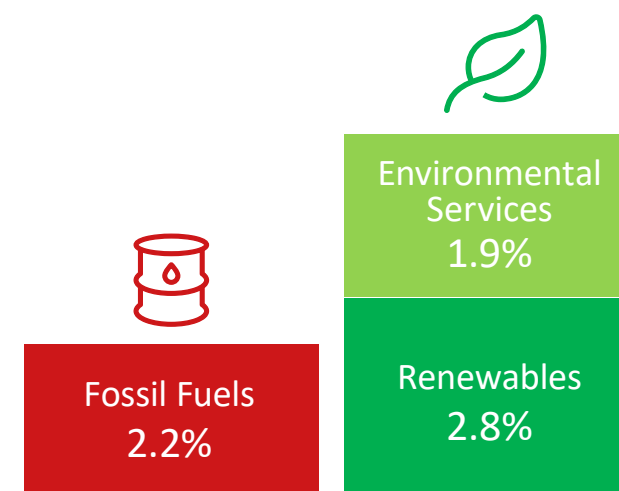
As at 31 March 2026, infrastructure investments represented 16% of Lothian Pension Fund's total assets, one of the largest allocations to infrastructure among UK Local Government Pension Scheme (LGPS) funds. Within this infrastructure portfolio, the majority of assets are based in the UK, and over one-quarter is invested in renewable energy (wind, solar and hydro) and environmental services.

LPF INFRASTRUCTURE PORTFOLIO



Over the year to 31 March 2026, we invested £22m in renewable energy assets. In addition, as of 31 March 2026, LPF held over £90 million in forestry investments. While these holdings are primarily in commercial forestry, all are certified as sustainable under recognised forestry standards.

Our ambition is to position the Fund to benefit from the global energy transition by having greater exposure to climate solutions than to companies whose primary business involves fossil fuels. As at 31 March 2026, our exposure to climate solutions was approximately 2.1 times greater than our exposure to fossil fuel holdings.



FUNDING STRATEGY STATEMENT

The Funding Strategy Statement (FSS) was fully revised at the 2023 Actuarial Valuation and reflected relevant statutory guidance in force at that time. Amendments made to the FSS in 2023 encompassed regulatory changes regarding employers leaving the fund, amendments to the operation of the salary strain mechanism, and contribution stability mechanism.

As required under the scheme regulations, the fund consulted with employers as part of the review process. The FSS is available on the fund's website at www.lpf.org.uk.

The fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy), or asset returns (derived from the investment strategy). A formal review of the fund's investment strategies is undertaken at least every three years to ensure appropriate alignment with liabilities. Further information on the investment strategies can be found in LPF's Statement of Investment Principles also available at www.lpf.org.uk.

The next triennial valuation for both funds will be undertaken as at 31 March 2026.

Full reviews of both the FSS and the investment strategies will be carried out as part of this process. The review of the FSS will take into consideration revised statutory guidance 'Guidance for Preparing and Maintaining a Funding Strategy Statement (FSS)' published in 2025.



We're proud of our awards and accreditations



In October, 2025, Lothian Pension Fund was awarded LGPS Fund of the Year. This achievement reflects the hard work, dedication, and collaboration of everyone involved. It's a proud moment for all of us and a testament to the strength of our team.

Our commitment to excellence and innovation has helped us stand out in a highly competitive field.

We aim to keep building on this momentum and continue to deliver outstanding service for our members and stakeholders. One judge said we 'demonstrated excellence through our robust performance, with an emphasis on independence in governance, high standards of administration, and contribution to collaboration'.



FINANCIAL PERFORMANCE

Administration expenses

A summary of the Fund's administrative expenditure for 2025/26, against the budget approved by the Pensions Committee, is shown in the table below.

The budget is split into controllable costs and uncontrollable investment management expenses. It excludes all benefit payments and transfers of pensions from the Fund. Similarly, income doesn't include contributions receivable and pension transfers to the Fund. The total net controllable costs outturn was £14,146k against the budget of £16,824k representing an underspend of £2,678k (16.0%) for the Fund.

The most significant budget variances serving to generate this underspend were:

- **Employees: £1,867k underspend.** Various recruitments were completed later in the year than was budgeted for and three contingent parental leave roles were not required during the year, contributing to a lower-than-expected employee spend
- **Income: £1,136k under-recovery.** Income in relation to collaborative partners is based on a cost sharing mechanism. The lower than forecast income was due to underspends against budget.
- **Supplies and Services: £1,087k underspend.** Various

contributing factors to underspend including lower than budgeted systems costs across various business areas

- **Investment managers' fees: Invoiced – £727k underspend.** The Fund agreed with Royal London to deduct fees from the new externally managed portfolio as an alternative to payment of fees via invoice as had been budgeted for

As part of the budgeting process, estimates are made on the expected uncontrollable

investment management expenses for the year. These estimates are based on previous years costs and expected movements in assets under management. The spend for

the 2025/26 financial year is £2,693k lower than estimated. There was a number of contributing factors to this including lower than estimated investment property management costs and some of our private market investments reaching the end of their investment cycle (meaning management fees are no longer chargeable).



-16%



COSTS
OUTTURN WAS
£14,146K
AGAINST THE
BUDGET OF
£16,824K.
AN UNDERSPEND
OF £2,678K

FINANCIAL PERFORMANCE

	2025/26 Approved budget	2025/26 Actual outturn	2025/26 Variance
	£000	£000	£000
Employees	11,382	9,515	(1,867)
Transport and premises	882	812	(70)
Supplies and services	3,798	2,711	(1,087)
Investment managers fees - invoiced	1,760	1,033	(727)
Other third-party payments	1,850	1,672	(178)
Capital funding - depreciation	227	265	38
Direct Expenditure	19,899	16,008	(3,891)
Support costs	742	848	106
Income	(3,817)	(2,710)	1,107
Total net controllable cost to LPF	16,824	14,146	(2,678)
Uncontrollable Costs			
Investment managers fees - Uninvoiced Base Fees	22,000	23,414	(1,414)
Investment managers fees - Uninvoiced Performance Related	4000	2,571	(1,429)
Total net cost to LPF	42,824	40,131	(2,693)

2025/26 Reconciliation to total costs	2025/26 Actual outturn
	£000
Actual outturn on budgeted items above	40,131
IAS19 LPFE retirement benefits	-
LPFE deferred tax on retirement benefits	-
Corporation tax	53
Total cost to LPF (inclusive of full cost investment management fees)	40,184
Per Fund Accounts	
Lothian Pension Fund Group	40,093
Scottish Homes Pension Fund	91
Total	40,184

FINANCIAL PERFORMANCE

LOTHIAN PENSION FUND

Cashflow

Cashflow to and from a pension fund is very dependent on the profile of its membership. Specifically, a maturing membership, such as ours, where the proportion of active to deferred and pensioner members is reducing, would be expected to see a reduction in contributions received, together with additional outlays on payments to pensioners. This will be compounded by the reduction, at a fund level, of contributions expected from employers.

The tables adjacent show the projected cash flow, as reported to Pensions Committee on 25 March 2026, against the actual movement for the year. It's important to distinguish between the basis of preparation for these, with the projected figures prepared on a cash basis, i.e. from when cash is received by the Fund, compared to the accruals basis of the Financial Statements to reflect accounting standards.

	2025/26 Projected	2025/26 Accruals basis	2025/26 Cash Basis
Income	£000	£000	£000
Contributions from employers	179,000	190,035	176,062
Contributions from employees	65,000	70,190	67,450
Transfers from other schemes	19,000	11,427	11,427
	263,000	271,652	254,939
Expenditure			
Pension payments	(263,000)	(265,518)	(265,518)
Lump sum retirement payments	(73,000)	(78,268)	(77,369)
Refunds to members leaving service	(1,000)	(780)	(780)
Transfers to other schemes	(16,000)	(8,501)	(8,501)
Administrative expenses	(4,000)	(4,151)	(4,151)
	(357,000)	(357,218)	(356,319)
Net additions/(deductions) from dealings with members	(94,000)	(85,566)	(101,380)

FINANCIAL PERFORMANCE

Cashflow (cont.)

Lothian Pension Fund	Actual	Cash flow forecast									
	2025 /2026 £m	2026 /2027 £m	2027 /2028 £m	2028 /2029 £m	2029 /2030 £m	2030 /2031 £m	2031 /2032 £m	2032 /2033 £m	2033 /2034 £m	2034 /2035 £m	2035 /2036 £m
Pensions income	271.7	294.1	306.9	320.3	334.3	349.0	364.4	380.5	397.4	415.1	433.6
Pensions expenditure	(357.2)	(385.9)	(400.6)	(416.0)	(432.2)	(449.2)	(467.1)	(485.8)	(505.5)	(526.2)	(547.9)
Net pensions cash flow	(85.6)	(91.8)	(93.7)	(95.7)	(97.9)	(100.2)	(102.7)	(105.3)	(108.1)	(111.1)	(114.3)
Net investment income	386.0	401.4	417.5	434.2	451.6	469.7	488.5	508.0	528.3	549.4	571.4

The above figures are the estimated annual cash flow on pensions activity and investment income for the next ten years. The forecast is based on the 2025/26 actual cash flows (included for comparison) adjusted for revised contribution rates as a result of the 2023 Actuarial Valuation and known changes in outflows.

Throughout the forecast period it's expected that investment income will provide multiple cover for negative net pensions cash flow, with no asset sales being required to fund ongoing pensioner payments.

Scottish Homes Pension Fund is a mature fund with no active members. As a result, pension outlays are met from investment income, supplemented by asset sales. Net pension outlays were £6.9 million, which is broadly in line with the prior year.

Membership statistics and funding statements from the Actuary are provided for both funds in the Fund Accounts sections.

SCOTTISH HOMES PENSION FUND

	2025/26 Projected	2025/26 Accruals basis	2025/26 Cash Basis
Income	£000	£000	£000
Administration charge	90	90	90
Expenditure			
Pension payments	(6,400)	(6,428)	(6,428)
Lump sum retirement payments	(300)	(356)	(340)
Transfers to other schemes	(100)	-	-
Administrative expenses	(90)	(90)	(90)
	(6,890)	(6,874)	(6,858)
Net additions/(deductions) from dealings with members	(6,800)	(6,784)	(6,768)

FINANCIAL PERFORMANCE

Cashflow (cont.)

Scottish Homes Pension Fund	Actual	Cash flow forecast									
	2025 /2026 £m	2026 /2027 £m	2027 /2028 £m	2028 /2029 £m	2029 /2030 £m	2030 /2031 £m	2031 /2032 £m	2032 /2033 £m	2033 /2034 £m	2034 /2035 £m	2035 /2036 £m
Pensions income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pensions expenditure	(6.8)	(6.5)	(6.4)	(6.3)	(6.2)	(6.1)	(6.0)	(5.9)	(5.8)	(5.7)	(5.6)
Net pensions cash flow	(6.8)	(6.5)	(6.4)	(6.3)	(6.2)	(6.1)	(6.0)	(5.9)	(5.8)	(5.7)	(5.6)
Net investment income	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.7	1.7	1.7

The estimated annual cash flows for Scottish Homes Pension Fund is based on actuarial analysis of the Fund's membership profile. Although investment income is below the annual pension outgoings, the all gilt investment strategy incorporates these cash flow requirements, with redemption dates of gilts tying into the Fund's liquidity needs.

WHAT OUR MEMBERS SAY:

"All communications by phone and email with LPF have been excellent. I feel very confident in your processes and support."



FINANCIAL PERFORMANCE

Investment management cost transparency

Local authorities are required to account for pension funds in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements.

The Chartered Institute of Public Finance and Accountancy (CIPFA) published this guidance in July 2014, which promoted greater transparency of investment management fees. In June 2016, CIPFA revised its guidance including the following:



“Investment costs incurred by a separate legal entity, or in respect of investment decisions over which the pension fund has no control, should not be included in the Fund Account.”

The revised guidance changed the disclosure of fees for 'fund of funds' investment arrangements. A 'fund of funds' is an investment holding a portfolio of other investment funds rather than investing directly in funds. Typically, fees are payable to the 'fund of funds' manager as well as to the managers of the underlying funds. Generally, under the revised guidance from CIPFA, the second and third layer of fees wouldn't be disclosed with just the fees from the 'fund of funds' manager stated.

In the preparation of the Fund's Annual Report the Fund made efforts to be completely transparent on the totality of

costs incurred for managing its investment assets. The Fund's disclosures included all layers of fees. The Fund agreed with its auditors that to facilitate full cost transparency, it would continue to disclose these costs above the required CIPFA standard, but that these costs would be shown separately to aid the reconciliation and comparability of the investment management expenses of the Fund to other LGPS.

Utilising its internal investment management expertise, the investment strategy of Lothian Pension Fund has evolved to move away from more complex and expensive investment vehicle structures, such as 'fund of funds', to increased direct investment, e.g. in infrastructure. This significantly reduces the layers of management fees incurred.

COLLEAGUE PROFILE ROBYN KILANOWSKI, PEOPLE ADVISOR

Robyn joined our People team in February 2025, as a People Advisor. She helps managers and colleagues navigate anything colleague-related from recruitment, onboarding, performance and training, whilst making sure everything runs smoothly in the background.

“When I joined LPF, I was particularly impressed by how supportive the organisation is. There's a great culture, with genuinely lovely people, real collaboration, and the office environment is fantastic. I feel well supported and I really value the variety in my role, along with the continued opportunity to develop and enhance how we support colleagues and improve their experience at LPF.”



FINANCIAL PERFORMANCE

The Fund is now at the realisation stage of its 'fund of fund' investments, with its holdings in listed private equity and infrastructure funds being reduced and those receipts funding additional direct investments. Crucially, the disclosure of the full costs of investment management remains fundamental to effective comparison between LGPS funds, particularly given the common use of 'fund of fund' investment vehicles.	The effect of this additional disclosure is shown below:	Lothian Pension Fund		Scottish Homes Pension Fund	
		2024/25	2025/26	2024/25	2025/26
		£000	£000	£000	£000
	Investment management expenses in compliance with CIPFA guidance	28,718	30,785	90	91
	Investment management expenses per financial statements	29,400	31,189	90	91
	Disclosure of management expenses in excess of CIPFA guidance	682	404	0	0

Investment cost benchmarking

Investment strategy focuses on risk-adjusted returns net of costs. The Fund has participated in investment cost benchmarking provided by CEM, an independent benchmarking expert for global pension funds. CEM's 2024/25 database includes 272 funds with £9tn of assets in aggregate.

To provide a relevant comparison, CEM calculates a benchmark based on fund size and asset mix, which are key drivers of investment costs.

The latest analysis available for the year to 31 March 2025, showed that LPF's investment costs of 0.27% of average assets were significantly lower than CEM's benchmark cost of 0.40%,

an equivalent annual saving of approximately £14m. This saving largely reflects the fact that the Fund manages a relatively high percentage of assets internally compared with other similar pension funds and that it has low exposure to 'fund of fund' investment vehicles.

COLLEAGUE PROFILE HELEN ADAM, RISK & COMPLIANCE MANAGER

Helen joined in December 2024 as a manager in the Risk & Compliance team. Her role focuses on maintaining the risk management framework across LPF and group, enabling a robust and transparent control environment to support our strategic objectives and commitment to members.

"One of the best aspects of my role is it allows me to interact and get involved in many areas of the business. It's an open and transparent working environment and there's a really positive culture – colleagues are welcoming and friendly. I feel a real sense of pride in being part of the LPF team and look forward to continuing to help achieve the best outcomes for our members."



2023 ACTUARIAL VALUATIONS

The most recent triennial assessment of the funding position was undertaken by LPF's Actuary as at 31 March 2023. The valuation set employer contribution rates for the three-year period from 1 April 2024. The Funding Strategy Statement was reviewed and amended following consultation with employers.

For Lothian Pension Fund, the funding level increased from 106% at 31 March 2020 to 157% at this valuation. The surplus of £408 million at 31 March 2020 increased to £3,525 million at 31 March 2023.



The positive valuation results allowed the Fund to build in additional prudence when setting employer contributions, including a minor change to investment strategy (reducing exposure to equities), building in allowance for a fall in investment markets and increasing the target likelihood of success of achieving full funding over the time horizon relevant to that employer. Even after building in these additional prudent measures, the Fund was able to reduce or freeze employer contribution rates for the three-year period from 1 April 2024.

Lothian Pension Fund requires employers to provide written confirmation that minimum contribution rates set by the Actuary are affordable as it's not in the best interests of the

individual employers or the Fund for employers to continue to accrue unaffordable pension liabilities.

The funding level for Scottish Homes Pension Fund at 31 March 2023 was 127%, increased from 118% from the 2020 actuarial valuation. The Scottish Homes Pension Fund is a closed fund administered by Lothian Pension Fund on behalf of the Scottish Government and is fully invested in index-linked gilts to reduce volatility in funding levels.

The next triennial valuation for both funds will be undertaken as at 31 March 2026.



PERFORMANCE AND ADMINISTRATION

Key performance indicators 2025/26

Our strong commitment to customer service drives continuous service development, ensuring the best possible service, whilst recognising potential demands of the future. We set challenging performance targets and measure these through both key indicators which are reported to our Pensions Committee and Pension Board, and internal indicators, which are reported to internal management. This year we've focussed on improving the services we provide digitally to enable members quick and easy access to their personal information.

The table shows our performance against these targets.

WHAT OUR MEMBERS SAY:

"The contact I have with LPF staff every time I call is great. They are professional, friendly and helpful."



2024/25		Target	2025/26
Retained	Maintain Customer Service Excellence Standard (CSE) (Annual assessment)	Retain	Retained
Unqualified	Audit of Annual Report and Accounts	Unqualified opinion	Unqualified
100%	Proportion of members receiving a benefit statement by August	100%	100%
92.1%	Overall satisfaction of employers, active members and pensioners measured by surveys	90%	95.5%
99.97%	Percentage by value of pension contributions received within 19 days of end of month to which they relate	99%	99.95%
Met	Rolling 10-year fund return is >+5% pa unless the benchmark is <+5%pa, in which case, the relative return is positive	Meet benchmark monthly	Met
Met	Monthly pension payroll paid on time	Met	Met
1.57%	Level of sickness absence	4.0%	2.38%
100%	All colleagues complete at least two days training per year	100%	100%
74%	Colleague engagement index	Greater than 70%	83%

We're proud of our awards and accreditations



Our Communications team is proud to have won Best Public Sector Team (1–5 people) at the Institute of Internal Communication Awards 2025. It reflects not only the quality of their work, but also the passion they bring to telling our organisation's story in meaningful and impactful ways.

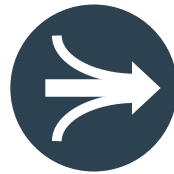
The judges said "The Lothian Pension Fund's Communications Team successfully delivered a multi-faceted communications campaign that balanced logistical and emotional considerations to support employees during an office relocation. Planning was thorough, execution demonstrated creativity and skill, and measurement showed excellent outcomes. Feedback highlighted the team's success in fostering engagement and collaboration."



PERFORMANCE AND ADMINISTRATION

Value for money

Pension administration benchmarking
Value for money is the term used to assess whether an organisation has obtained the maximum benefit from the services it acquires or provides, within the resources available to it. It has three components to take account of: economy, efficiency and effectiveness.



For many years, LPF has participated in pensions administration benchmarking exercises. The purpose of this is to help identify the areas where we can make improvements to deliver better value for money. Benchmarking allows:

- Comparison between costs and performance
- The provision of evidence to support decisions on budget relating to the sustainability and capability to enhance customer satisfaction
- Sharing of information and ideas with peers
- A review of performance trends over time.

The outputs and analyses have served to supplement internal performance management information.

We participate in the pension administration survey carried out by CEM which provides further insight into both pension administration costs and quality of service.



In addition to other local authority pension funds, the CEM peer group includes UK private sector schemes. Participating funds from both the public and private sectors are significantly larger than LPF. Against this challenging comparator group, CEM's benchmarking results classified LPF's pension administration service as "low cost, high service standard".

Results for the year ending 31 March 2025 show a cost per member of £39.14, which is lower than the adjusted peer group average of £44.16. We also achieved a service score of 73 out of

100, exceeding the peer group median score of 65. Reasons for the higher score compared to the peer group include:

- An increased number of active members were paid without a cashflow interruption
- Processing times across all measured transactions improved during the year
- A higher percentage of members in all customer groups are registered for, and use our secure online portal, compared to the peer group
- We increased our focus on member surveys during the year.

PERFORMANCE AND ADMINISTRATION

Customer and complaint feedback

Listening to feedback is key to our services and LPF carry out surveys to monitor individual and overall satisfaction. Our overall satisfaction continues to improve and in 2026 remains above the 90% target at 91%.

We also monitor complaints and ensure we respond to and resolve all complaints where possible, within 20 working days.

We investigate and learn from both formal and informal complaints to ensure we're continuously improving our services. Complaints are split into those about the service we provide and those about how Scheme Regulations are applied.

We carried out 42,820 processes in 2025/26 and there were forty-seven complaints made; less than 0.1%. Complaints covered a broad range of issues including: dissatisfaction with customer service; delays when disinvesting AVC funds when retiring; and transferring membership in and out.

Internal dispute resolution procedure (IDRP)

Pensions law requires that the Local Government Pension Scheme must have a formal procedure in place for resolving disputes arising from the running of the scheme. The IDRP is a two-stage process. An external independent appointed person

deals with disputes at the first stage and the second stage is dealt with by the Scottish Ministers.

In 2025/26, six Stage 1 disputes were received for investigation. Following a review of the original decisions, two were resolved internally: one related to entitlement to a permanent "Child's" pension, and the other concerned the determination of who should receive a death grant payment. Three appeals related to transfers in and out of the scheme, and one challenged the decision not to award early payment of deferred benefits on health grounds.

If a member remains dissatisfied with the Stage 1 decision, they have six months to take their appeal to Stage 2.

In 2025/26 there was one ongoing Stage 2 dispute. This dispute is included in the statistics below.

If a pension scheme member is dissatisfied with the outcome of the IDRP two-stage process, they can take their case to the Pensions Ombudsman. We're waiting for two outcomes from the Pensions Ombudsman.

Further information about the IDRP and complaints procedure is available on our website at [Complaints and Appeals / LothianPensionFund](#).

OUR CUSTOMER SATISFACTION
REMAINS ABOVE THE
90% TARGET AT

95.5%

Reason for dispute	Stage 1 outcome	Stage 2 outcome	On-going
Pension benefits less than expected	Dismissed	Ongoing	Ongoing
Late transfer in application	Ongoing		Ongoing
Not being awarded early payment of deferred benefit on health grounds	Ongoing		Ongoing
Guaranteed CETV – pension increase date passed	Dismissed		Ongoing
Cash Transfer Sum	Upheld		Closed

PERFORMANCE AND ADMINISTRATION

Our data

We issued 100% of benefit statements by the statutory deadline of 31 August.

We measure our pension record keeping standards against The Pensions Regulator's best practice guidance. Poor record-keeping can lead to significant additional costs in areas such as administration, error correction, claims from members, as well as fines from The Pensions Regulator.

All our employers submit monthly contribution and pensionable pay data through our employer data portal, and we audit submissions to ensure the continuation of data accuracy.

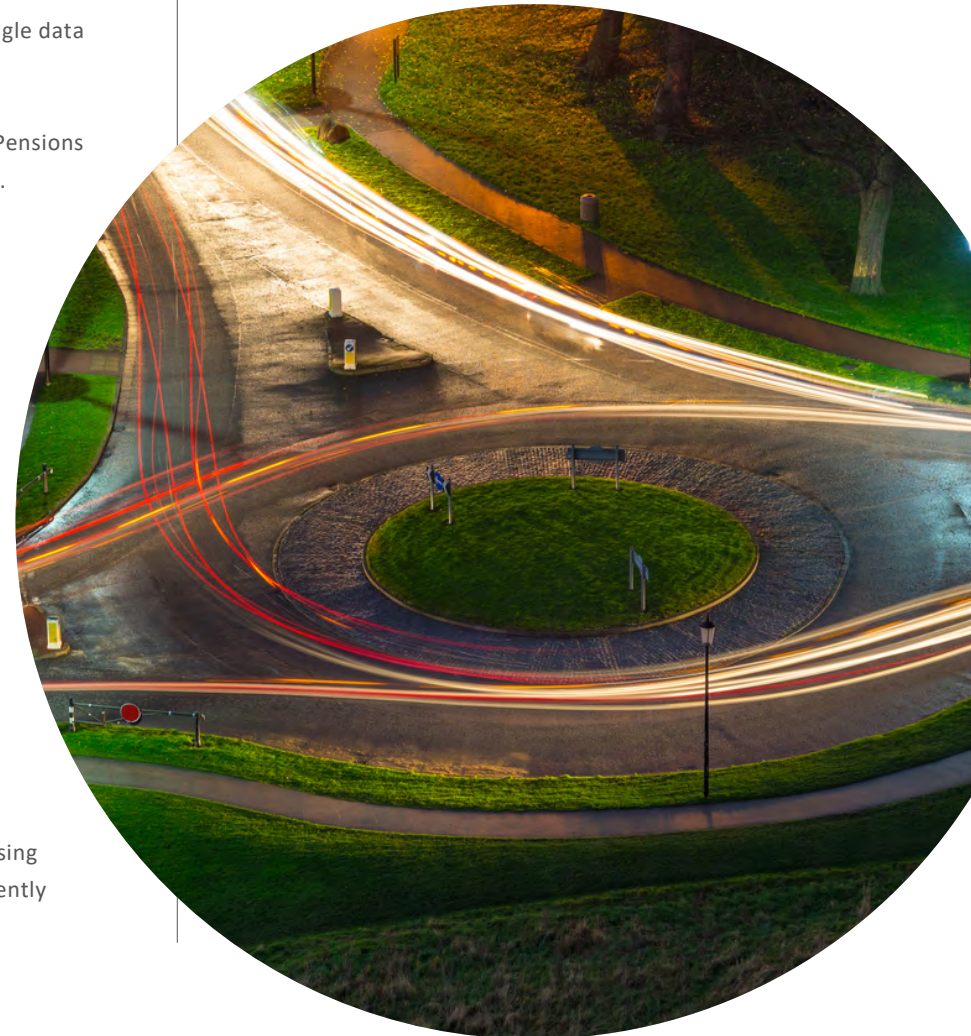


We use a business intelligence tool, procured from our administration software supplier, to analyse our data and determine the scores for our common and conditional data. The Pensions Regulator specifies that we should hold both common data such as name, date of birth and national insurance number so that a member can be uniquely identified, as well as conditional or scheme specific data which is required to operate each individual scheme such as member status. Both types of data are equally important. The scores are based on the percentage of clean member

records; those considered to be without a single data failure.

The following scores were submitted to The Pensions Regulator for the 2025 annual scheme return. Lothian Pension Fund and Scottish Homes Pension Fund scored 98.5% and 98.4% respectively for common data (2024 scores were 98.5% and 98.3% respectively) and 99.5% and 100% for conditional data (both scores maintained from 2024). The quality of data continues to be of a high standard.

During the year, we continued to strengthen our digital readiness by making significant progress on the Pensions Dashboards Programme. We successfully connected to the ecosystem by the 31 October staging date through our software supplier's Integrated Service Provider (ISP), ensuring full compliance and positioning LPF to support members in accessing their pension information securely and efficiently when the dashboards go live.



PERFORMANCE AND ADMINISTRATION

Rectification of age discrimination - McCloud and Sargeant judgements

The 'McCloud Judgement', a court ruling which found that transitional protections for older workers provided in 2015 were age discriminatory, requires rectifications that came into effect on 1 October 2023.

We've completed all pensioner recalculations and adjusted any existing pensions to the correct values.

We were required to provide McCloud information on all benefit statements from 2025 or advise members if this wasn't possible. We were able to provide the required McCloud information on the benefit statements, with the exception of a small group of members. All necessary communications were issued. For 2026 we expect to be able to provide the McCloud information on benefit statements for all members.



COLLEAGUE PROFILE JADE MCCULLOCH, ASSISTANT COMMUNICATIONS PARTNER

Jade joined LPF in August 2020 as Assistant Communications Partner. She contributes to the continuous strengthening of how we communicate across LPF, supporting key initiatives, improving content quality, and helping to make sure that colleagues have access to the right information at the right time.

"I really enjoy working at LPF. Colleagues genuinely put our Members and Employers at the heart of what they do, and the culture is friendly and supportive. In my role, I enjoy the variety and the opportunity to make a real impact, whether through projects or events, helping to build engagement, strengthen relationships, and to make sure key messages are clear and meaningful."



PERFORMANCE AND ADMINISTRATION

Member service

Our in-house Member Services team provides a dedicated administration service for our members. We monitor the time taken to complete key tasks, which include the processing of retirement and dependents' benefits, providing scheme information for new members, transfers and early leaver calculations.

The team has continued to deliver strong performance across a number of areas, meeting key performance targets and achieving significant reductions in overall workload.

We've maintained our commitment to colleague development with the introduction of our Training Academy, welcoming a total of nine Trainee Member Administrators during the year and providing them with dedicated support as they work through the initial stages of the training programme.

Two of our Trainees have already completed their probationary period and will shortly begin studying towards the Level 2 Award in Pensions Essentials qualification provided by the Pensions Management Institute. Our Senior Member Administrators have also continued their development by undertaking the Level 3 Certificate in Leadership and Management.

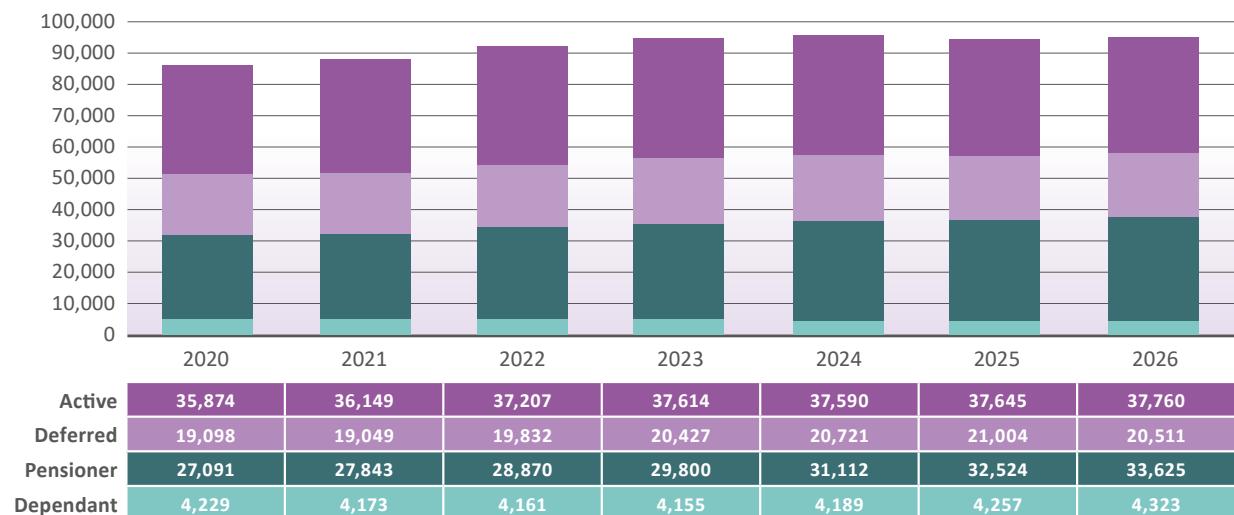
A new third party continual assessment platform has helped the team grow and consolidate their knowledge on key areas of our processes. During 2025/26, Member Services colleagues answered a total of 15,948 questions with their competency score (i.e. percentage of correct answers) increasing from 70% in April 2025 to 76% in March 2026.

The team achieved our key performance measure in 2025/26 and further details of this are provided below. Additionally,

significant progress has been made in reducing our backlog of aggregation cases as well as our overall workload. The aggregation backlog has been reduced by almost 60% during the year, while the team's overall caseload is now at its lowest level since July 2015.

Member Services team has also provided first point of contact service to our members, handling over 32,500 incoming telephone calls and emails from our members.

LOTHIAN PENSION FUND MEMBERSHIP DATA



PERFORMANCE AND ADMINISTRATION

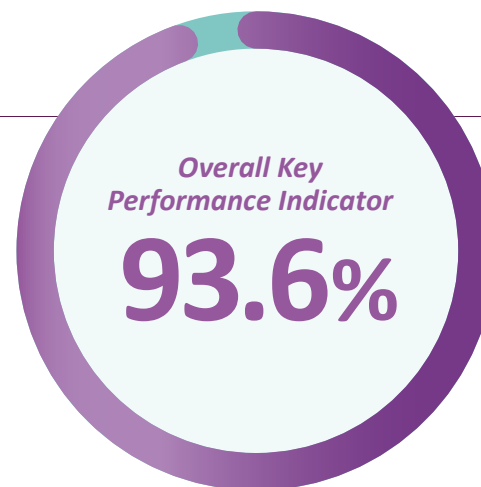
Key Performance Indicators

In response to revised guidance from the LGPS (Scotland) Scheme Advisory Board (SAB), we've introduced a number of new Key Performance Indicators (KPIs) which allow us to now measure across a wider range of processes to gain a clearer picture of our overall performance.

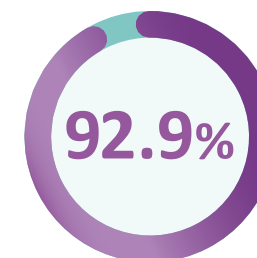
The new KPIs include measurement of performance at all stages of the retirement process, as well as family law processes which hadn't previously been measured.

Despite delayed notification of the revised measures, the team continued to deliver strong performance during the year, with 93.6% of key tasks completed within target.

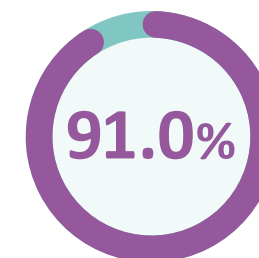
Performance for each individual measured process is shown here.



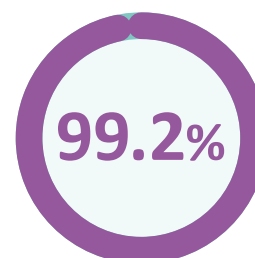
Retirement Lump Sum Payments



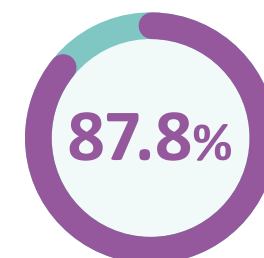
Provision of a Retirement Quotation



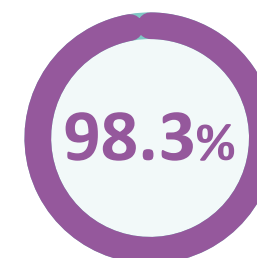
Confirmation of chosen Retirement Option



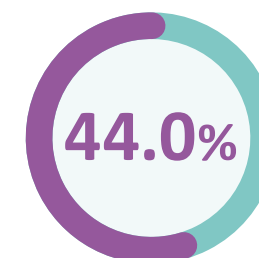
Provision of an Estimate from employer request



Acknowledgement of a death to next of kin



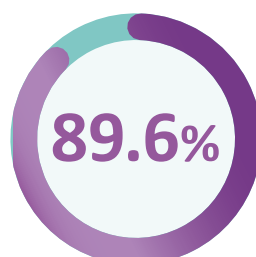
Provision of details of Survivor Benefits



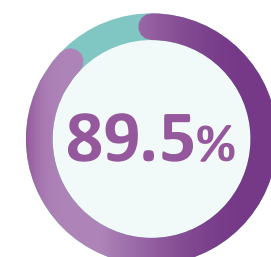
Provision of information to New Members



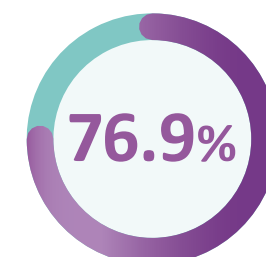
Payment of refund of contributions



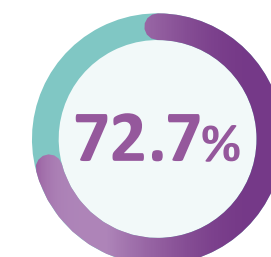
Provide deferred benefit details to leaver members



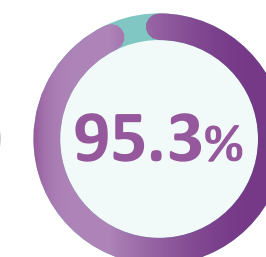
Provide confirmation of a completed transfer out



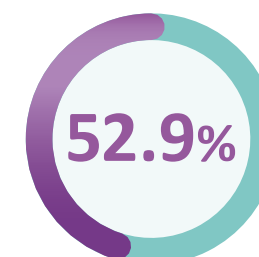
Provide confirmation of a completed transfer in



Provision of a Family Law Valuation



Implementation of a Pension Sharing Order



PERFORMANCE AND ADMINISTRATION

The table below shows performance across key procedures in 2025/26 compared to the previous year.

2024/25		Target	2025/26
94.7%	Proportion of pensions administration work completed within standards – individual performance within this indicator is shown below	Greater than 92%	93.6%
96.4%	Payment of a lump sum retirement grant within seven working days of the member's date of retirement or, if later, of receiving all necessary paperwork	90%	92.9%
Not measured	Provide a retirement quote to active members within 15 working days of notification by employer, or to deferred members within 15 working days of receiving a request from the member	95%	91.0%
Not measured	Provide confirmation of a retiring member's chosen pension and lump sum option within 15 working days of the member's date of retirement or, if later, of receiving all necessary paperwork	95%	99.2%
93.9%	Produce estimate requested by employer of retirement benefits within 10 working days	90%	87.8%
99.9%	Acknowledgement of the notification of the death of a member to next of kin within five working days of notification	100%	98.3%
78.7%	Notification of survivor benefits within ten working days of receiving all necessary paperwork	90%	44.0%
99.6%	Provide new members with scheme information within 20 working days of receiving notification from the employer	98%	99.6%
84.7%	Pay a refund of contributions within seven working days of receiving all necessary paperwork	90%	89.6%
91.3%	Notify early leavers entitled to deferred benefits of their rights and options within 15 working days of being informed of end of pensionable service	90%	89.5%
Not measured	Issue confirmation of a completed transfer out within 15 working days of receiving all necessary paperwork	90%	76.9%
Not measured	Issue confirmation of a completed transfer in within 15 working days of receiving all necessary paperwork	95%	72.7%
Not measured	Provision of a family law valuation within 40 working days of receiving a request from a member or their solicitor	90%	95.3%
Not measured	Confirm the implementation of a pension sharing order within 30 working days of receiving all necessary paperwork	100%	52.9%

PERFORMANCE AND ADMINISTRATION

Member Tracing and Mortality Screening

We continue to improve the accuracy of member records in accordance with the Pensions Regulator's legislation on record keeping. In addition to improving our records, regular member tracing and mortality screening improves the effectiveness of the communication between Lothian Pension Fund and our members. Up to date record keeping allows us to alert members timeously with information about elections or choices they're required to make in relation to their benefits that may affect their rights under the scheme.

We regularly conduct UK and overseas address tracing for members we've lost contact with as well as mortality screening, which allow us to update member records with their correct address and to check the existence of members. This avoids overpayment of benefits where pensioner members are deceased, as well as alerting the Fund where deferred beneficiaries have died, and a benefit may be payable.

Online Services

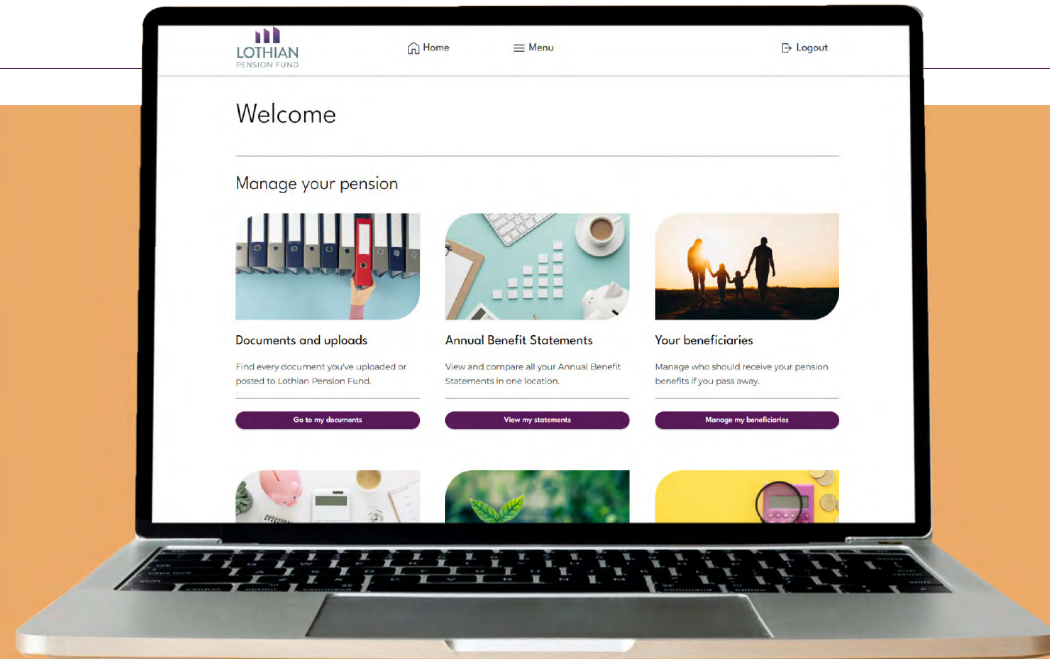
We introduced a new My Pension Online platform. The new platform has a more modern appearance offering simple to understand navigation and prompts.

The new portal provides enhanced security and it's now simpler to log in, or register, than the previous platform. It also

introduces new functionality including a personalised video annual benefit statement which guides members step by step through their benefits.

A new retirement planner has also been introduced, enabling members to plan for the lifestyle they want in retirement. The planner brings together all the benefits they hold in

the scheme and presents clear information showing what they may need in retirement compared with what they're currently on track to receive.



PERFORMANCE AND ADMINISTRATION

Employer performance

The Pensions Administration Strategy sets out the roles and responsibilities of both the Fund and employers, specifying the levels of services the parties will provide to each other, and referring to four key areas where LPF will pass on the costs of poor performance from employers:

- Late payment of contributions
- Late submission of membership information at the end of the year
- Failure to supply LPF with information required to provide members with pensions savings statements
- Failure to provide details of member contributions monthly.

These areas are particularly important to ensure compliance with legislation, including accurate data to administer the career average pension scheme, and the requirement to provide members with a pension forecast by 31 August each year. Charges for late payment of contributions are as stated in the Scheme Regulations, whilst other recovery of costs has been set to reflect the additional time spent resolving queries and pursuing late information.

Since the strategy was introduced, provision of early leaver and retirement information from employers has been well below the expected standard. During 2025/26, our officers took a variety of approaches to improve employer performance, including:

- Providing training to payroll/HR colleagues in person and via Microsoft Teams
- Presenting performance updates at virtual meetings
- Escalating to senior officers at quarterly employer meetings
- Monitoring with employers where performance has been particularly poor
- Hosting monthly meetings with the four councils where performance is discussed.

COLLEAGUE PROFILE JACK DUFFIELD, TRAINEE MEMBER ADMINISTRATOR

Jack joined in November 2025 as a Trainee Member Administrator as part of LPF's Training Academy.

"It's been a great experience going through the training academy and I think it shows how much LPF is willing to invest in its people, a rare thing in many workplaces. Every process and case is unique: some quite simple and others highly complex. Having a good mix keeps the work engaging and challenging - which as a trainee is really beneficial. The friendly workplace culture has made LPF an easy place to feel welcome and I feel very comfortable asking for advice or help from my colleagues."



PERFORMANCE AND ADMINISTRATION

To improve service to members, indirect costs can now be recovered from an employer if any persistent and ongoing administration failures occur, with no improvement demonstrated, or if they're unwilling to resolve the identified issues.

We monitor employer performance against the standards set out in the Pension Administration Strategy. Results are reported to employers in an annual performance report, with more regular reporting for larger employers.

Overall employer performance for 2025/26 is shown below, with 2024/25 shown for comparison purposes.



		2024/25			2025/26		
Case type	Target (working days)	Number received	Number within target	% within target	Number received	Number within target	% within target
New members	20	5,464	5,168	95%	4,853	4,675	96%
Leavers	35	2,769	1,718	62%	2,715	2,477	91%
Retirements	15	1,732	861	50%	1,471	879	60%
Deaths in Service	10	31	24	77%	56	43	77%

PERFORMANCE AND ADMINISTRATION

All employers submit new starters through i-Connect, which has improved performance again this year. Only exceptional cases aren't met within target.

In 2024, we amended the process for employers submitting early leavers. These members are now submitted along with the monthly i-Connect submission and no form is required. However, due to the timing of the submission and the date that some members leave, a number of cases were being received between 21 and 35 days after the date of leaving. As this was out with the employers' control, we amended the Pensions Administration Strategy standard from 20 to 35 days, effective from 1 April 2025.

This has allowed employers more time to submit these leaver cases within target, through i-Connect submissions.

In April 2025, we also amended the standard for provision of retirement information from 20 to 15 working days before the member's retirement date. This has seen performance improve to 60% in target and the process now enables employers to supply retirement information directly through i-Connect with no forms required. This has meant less work for employers and we will be working with employers to drive further improvement in 2026/27.

Contributions
by value paid
on time



Contributions by value paid on time

99.9% of contributions by value were paid on time. Of the 594 payments made, eight were paid late and these are shown in the table below. The option to levy interest on overdue contributions wasn't exercised in 2025/26, as late contributions weren't received significantly later than the 19th day of the following month.

Employer	Number of late payments	Employer	Number of late payments
Citadel	2	North Edinburgh Dementia Care	2
Bellrock	1	Children's Hearing Scotland	1
NSL Services	1	St Andrew Children's Society	1
TOTAL			8

OUR COLLEAGUES

Our colleagues

Engaging our colleagues is critical to delivering our strategy and ambition. We firmly believe that having happy and motivated colleagues helps us deliver for our members, employers and stakeholders.

Our core values

We're passionate about pensions and our values are enduring principles that inform, inspire and instruct our day-to-day behaviour. We're proud to be:

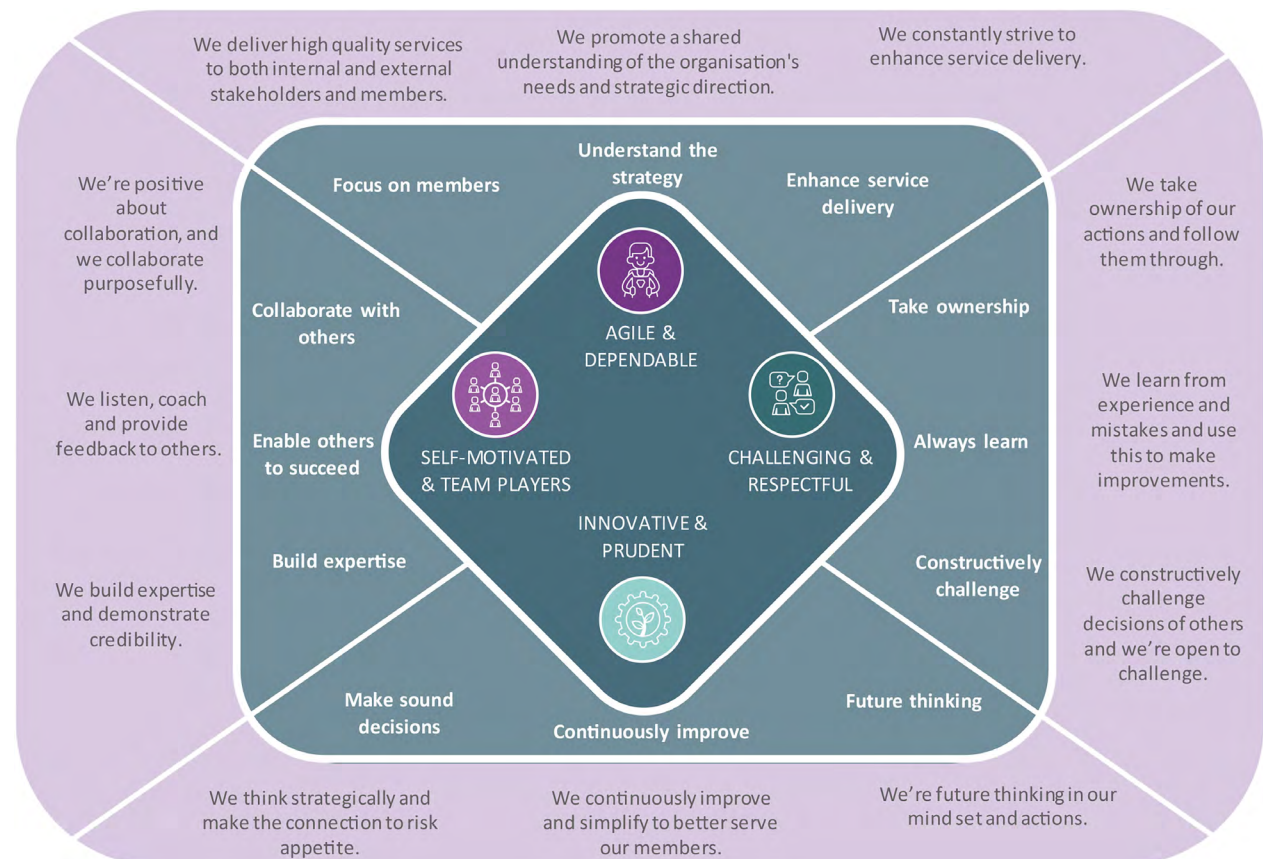
- Agile and dependable**
 We approach work with an open and flexible attitude and take responsibility to manage our work effectively and efficiently. We also embrace new processes in a consistent and reliable way
- Self-motivated and team players**
 We actively participate as individuals, taking pride and responsibility in what we do. At the same time, we show awareness for the team and ensure our objectives support the team's objectives

- Challenging and respectful**

We appreciate the need to challenge the status quo and ask questions in a constructive and respectful way

- Innovative and prudent**

We always look to improve processes and practices and ensure we do this in a way that's safe and protects LPF from unnecessary risk.



OUR COLLEAGUES

Inclusivity

We're one team, strengthened by the wide range of ideas, experiences and backgrounds we bring. We value everyone's contribution and believe our colleagues should feel able to be their whole selves at work. We're committed to creating a diverse, inclusive and respectful workplace, supported by a positive and empowering environment. As at 31 March 2026, our permanent headcount was 60% female and 40% male.

We recognise the many strengths and talents our diverse colleagues bring, and we're taking steps to ensure LPF is as inclusive as possible for both our colleagues and our members:

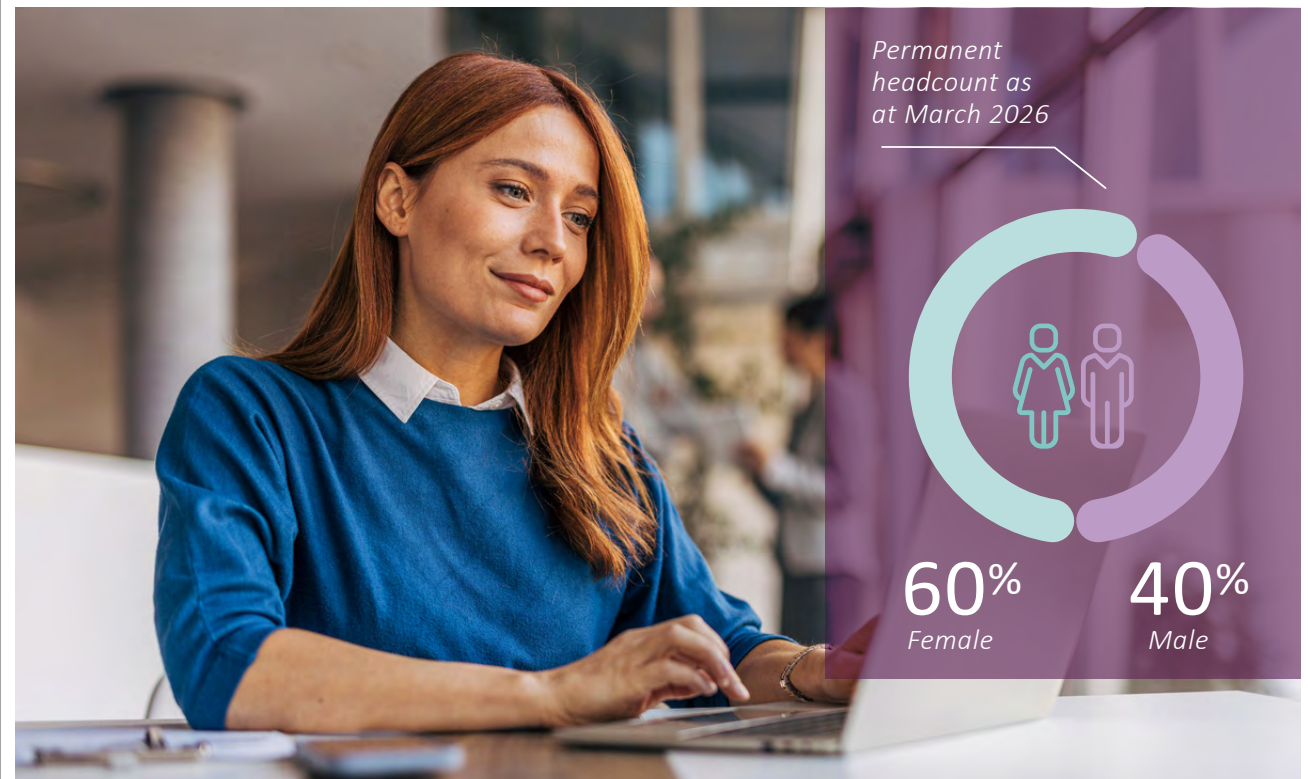
- We're accredited as a Disability Confident employer and, importantly, we're committed to continually reviewing and improving our approach to recruitment and employment
- Through Disability Confident, we aim to ensure that disabled people and those with long term health conditions can fulfil their potential and achieve their career aspirations with us



- We're proud to be among the first firms in Scotland to partner with Future Asset, an organisation that builds confidence and raises aspirations among girls in S4–S6, encouraging them to pursue ambitious career paths and showcasing the rewarding opportunities available in investment. In 2025, three of our colleagues volunteered

to support and coach students in the Growing Future Assets Investment Competition.

**FUTURE
ASSET**



We're proud of our awards and accreditations



In May 2025, Lothian Pension Fund were included in the 2024-25 Responsible Asset Allocator Initiative (RAAI) Leaders List, with a score of 97 (out of 100). We manage approximately £10 billion in assets for around 88,900 members and 56 active employers.

We're known for our commitment to responsible asset allocation, particularly through the Responsible Asset Allocator Initiative (RAAI), which focuses on sustainable investing practices.



OUR COLLEAGUES

Gender balanced

We continue to work towards our goal of being fully gender balanced across the organisation by 2030.

- As at 31 March 2026, women made up 47% of our top three leadership layers and 59% of our overall workforce
- Our mean gender pay gap is 32.16%
- Our positive action approach for gender, which is benchmarked externally, is helping to ensure that our people policies and processes are inclusive and accessible, from how we attract and recruit, to how we reward and engage our colleagues
- In 2025/26 we recruited 12 permanent colleagues, of which 8 are women.

Performance and reward

Our approach to performance management provides clarity for our colleagues about how their contribution and performance links to our vision and values. We ensure everyone is paid fairly in line with their performance by benchmarking pay against external market data.

We make sure that colleagues have a common awareness of the financial and economic factors affecting LPF's performance through monthly all colleague calls and

biannual events. More information on our remuneration policies can be found later in this document.

Developing skills and capabilities culturally

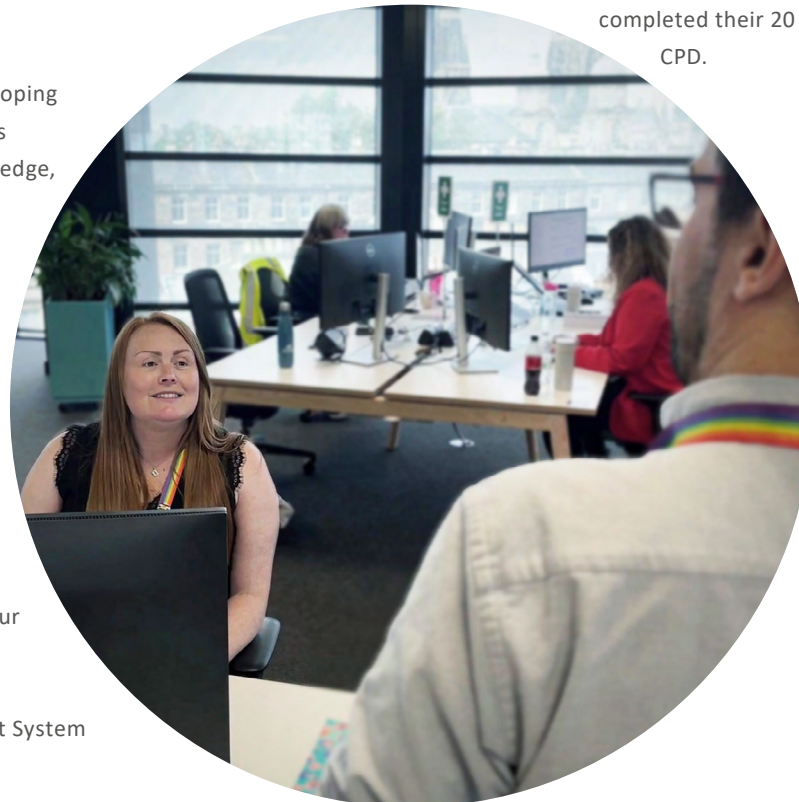
Becoming a learning organisation is one of our priorities. We ensure that colleagues have the required skills and qualifications to perform their roles and prepare them for the future.

We're committed to developing colleagues in the key areas needed to build the knowledge, skills and behaviours that will keep them relevant, employable and aligned with our ambition and purpose. We're also fostering greater agility and encouraging a shift in mindset so that future focus, continuous learning, knowledge sharing and reflective practice become part of our everyday culture.

Our Learning Management System

gives our colleagues the opportunity to expand their own development as well as complete our quarterly core learning. It also allows us to track progress against our organisational learning targets, and provides a single place for colleagues to record all their continuing professional development (CPD).

As of 31 March 2026, 98% of our colleagues had completed their 20 hours of annual CPD.



OUR COLLEAGUES

Health and Wellbeing and Charity

We firmly believe that colleague wellbeing is linked to a successful and happy workforce. All colleagues have access to our free Employee Assistance Programme (EAP) which offers help and advice on topics like health, legal, finance and lifestyle.

We take our colleagues' wellbeing very seriously and to support this, we continue to promote resources within our EAP, focusing on mental and physical health and life changing events.

Throughout 2025, we held a range of colleague sessions focused on wellbeing, recognising key health and wellbeing dates including Mental Health Awareness Week, Pride Edinburgh and World Mental Health Day. In May, we hosted Therapets who brought therapy dogs to our office to meet our colleagues. We also promoted our new EAP app to our colleagues for World Mental Health Day, showcasing the different tools available to them. In September 2025, we collectively completed the John Muir Way, with groups of colleagues walking different stages of the route to fundraise for our charity of the year, Empty Kitchens Full Hearts.

In addition, 41% of our colleagues used volunteering days during 2025, contributing a total of 541 hours in support of a range of local charities and community groups.



Management commentary approved by:

Paul Lawrence

Chief Executive Officer

The City of Edinburgh Council 16 September 2026

David Vallery

Chief Executive Officer

Lothian Pension Fund 16 September 2026

Deborah Smart

Executive Director of Corporate Services

of City of Edinburgh Council 16 September 2026



LOTHIAN PENSION FUND INVESTMENT STRATEGY

Investment strategy

The Fund's investment strategy for financial year 2026 was approved by the Pensions Committee in March 2024 following the completion of the 2023 actuarial valuation and subsequent strategy review. Given the improvement in funding level from the previous valuation, the revised investment strategy modestly reduced allocation to equities and increased allocation to sovereigns versus the previous strategy. It also has a 2% allocation to cash, from zero previously, to reflect the fact that the Fund will always operate with a level of cash for operational purposes.

The objective of the Fund's investment strategy is the achievement of the discount rate, the return that the Actuary prudently assumes will pay pensions as they fall due and will also be consistent with affordable and stable, or reducing, employer contribution rates.

The Fund's investment strategy reflects the target asset allocation expected to generate sufficient investment returns, alongside contributions, to pay pension liabilities in the future. For most employers, these liabilities stretch out for decades. Consequently, the strategy allocates a substantial portion of the Fund to assets that are expected to grow in real terms over the long term, such as equities. However, given that these assets are volatile, and that the future is uncertain, the strategy includes other asset types to diversify risk. The

macroeconomic backdrop also influences the formation of the investment strategy and its implementation and given the more inflationary environment in recent years, supports the emphasis on real assets that have a history of providing some protection to investment returns against inflation.

As part of the 2024 investment strategy review, two policy groups were renamed. The previous "Non-Gilt Debt" policy group is now "Credit", and the previous "LDI (gilts)" policy group is now "Sovereigns".

There were no changes to Fund strategy over the year to end March 2026. In terms of the Main Strategy, which represents most employers and assets, the strategic allocation to equities remains 55%, with the allocation to sovereigns at 15%, credit at 8% and cash at 2%. The Buses Strategy is a 50/50 split between the Main and Mature Employer Strategies. The Total Fund Strategy percentages shown below are a weighted average of the employer strategies.



LOTHIAN PENSION FUND INVESTMENT STRATEGY

Employer strategies

Lothian Pension Fund is a multi-employer pension scheme and not all employers are alike. To address their differing funding requirements the Fund operates four distinct investment strategies. The assets in each strategy are shown in the table below. Employers fund their liabilities with the strategy that reflects their ability to tolerate risk.

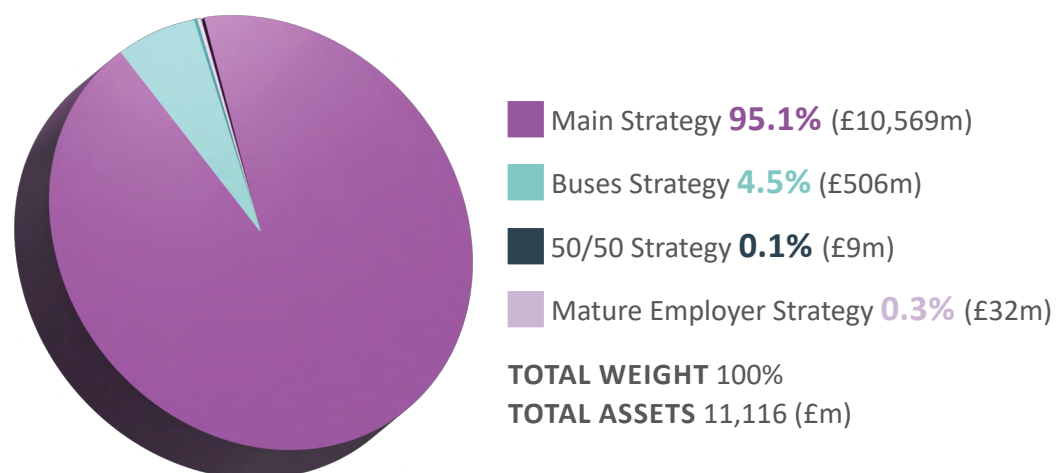
Most employer liabilities are funded under the Main Strategy, which adopts a long-term investment strategy, aiming to generate an investment return that will minimise the cost to the employer within reasonable and considered risk parameters. The Main Strategy maintains significant exposure to assets such as equities and infrastructure, which have a history of protecting and growing purchasing power.

A small number of employers are funded in the Mature Employer Strategy, which invests in a portfolio of UK index-linked gilts to reduce funding level and contribution rate risk as they approach exit from the Fund. Assets associated with the Mature Employer Strategy represent c.0.3% of total assets.

The 50/50 Strategy enables another small group of less mature employers to fund liabilities with a 50/50 mix of the Main Strategy and the Mature Employer Strategy. The 50/50 strategy represents a further c.0.1% of total assets.

The Buses Strategy, which was created when the assets and liabilities of Lothian Buses Pension Fund were consolidated into the Lothian Pension Fund on 31 January 2019, is a 50/50 mix of the Main Strategy and the Mature Employer Strategy. At 31 March 2026, the Buses strategy represents c.4.5% of total assets.

EMPLOYER GROUP STRATEGIES 31 MARCH 2026



LOTHIAN PENSION FUND INVESTMENT STRATEGY

Policy groups

The investment strategies are described in terms of allocations to broad asset classes, or policy groups, which are the key determinants of risk and return. These policy groups are Equities, Real Assets, Credit, Sovereigns and Cash. While the risk and returns characteristics of these groups can fluctuate significantly over time, the table below is ranked from highest to lowest long-term expected return and risk.

The table below presents the policy group target allocations of the four investment strategies at the end of March 2026 along with the Total Fund Strategy, which is the weighted average of the four employer strategies.

The Sovereigns policy group comprises index-linked gilts and nominal gilts. This is the lowest risk, lowest expected return

policy group outside cash and it allows the broad matching of the cash flows from gilts with the pension payments that the Fund expects to pay in the future. The purpose of the other policy groups is to generate a return in excess of the gilt return to make the Fund affordable to employers. The other policy groups are expected to generate higher returns over the long term (the Actuary models 20 years into the future). These higher expected returns come with higher risk (also called volatility).

Strategy implementation

The Pensions Committee delegates implementation of investment strategy to the Fund's officers, who are tasked with investing each policy group within specified ranges. These are laid out in the Statement of Investment Principles. The actual allocation at end March 2026 is presented in the pie

chart below (these figures relate to investment assets only and therefore exclude the c£37m of non-investment cash that forms part of the overall Fund assets). The largest deviation from strategy is the underweight position in Credit (-4.8%) as credit spreads are deemed broadly unattractive at current levels given the associated risks. The Fund's exposure to the Equity (-0.6%) and Real Assets (+1.5%) policy groups, which should help protect against inflation, is broadly in line with target in aggregate. Exposure to Sovereigns is broadly in line with target, while exposure to Cash is overweight (+3.9%). The Fund has operated comfortably within the prescribed ranges over the year.

Within policy groups, the Fund pays careful attention to risk taken to achieve returns and the cost of implementation. Within Equities, for example, the strategy typically focuses on lower risk securities and has a lower exposure to higher risk securities, meaning that its portfolio is lower risk than the standard global equity benchmark. It's understood that this may mean giving up some of the upside when markets are very strong but should provide relative protection when markets are weak. Another benefit of this approach is that it helps to maintain a low cost of implementation as turnover is generally quite low. Further contributing to a low cost of implementation is the internal management of over 95% of Equity assets.

The Real Assets policy group allocation, while modestly below that of last year, has grown substantially over the last several

LOTHIAN PENSION FUND 31 March 2026	Main strategy	Mature Employer Strategy	50/50 strategy	Buses strategy	Total Fund Strategy
Equities	55.0%	0.0%	27.5%	27.5%	53.6%
Real Assets	20.0%	0.0%	10.0%	10.0%	19.5%
Credit	8.0%	0.0%	4.0%	4.0%	7.8%
Sovereigns	15.0%	100.0%	57.5%	57.5%	17.2%
Cash	2.0%	0.0%	1.0%	1.0%	1.9%
Total	100%	100%	100%	100%	100%

Note: Numbers may not sum due to rounding

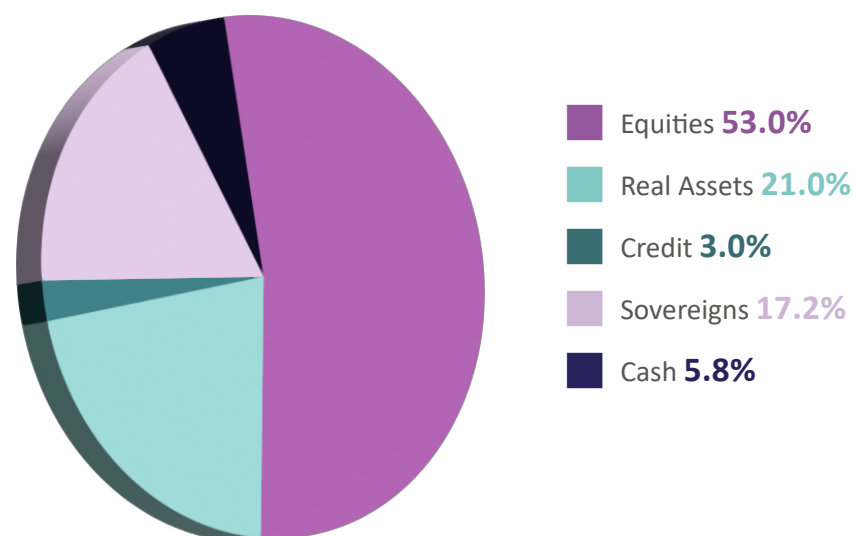
LOTHIAN PENSION FUND INVESTMENT STRATEGY

years. The investments in this diverse category comprise (very largely UK) property, a wide range of infrastructure assets, including a variety of renewables, regulated utilities and other essential assets, and timberlands. Again, there's a wide range of expected risk and return associated with these types of private market assets. The Fund seeks long-term, defensive investments with inflation protection or correlation, and expects returns and risk to be somewhat lower than those from the Equity policy group and for the assets to provide some diversification benefit.

The Credit policy group comprises investments in various non-sovereign debt securities. However, as its purpose in the Fund is to diversify equity risk, it avoids most high yield debt instruments, which are riskier and more correlated with equities.

The Sovereigns policy group comprises index-linked and nominal gilts. This is typically the lowest risk, lowest expected return policy group outside Cash. These can be thought of as matching assets, where the cash flows of gilts can broadly match the profile of future expected pension payments. In that sense, increased exposure to Sovereigns can be expected to reduce funding level risk.

ACTUAL ASSET ALLOCATION TOTAL FUND 31 MARCH 2026



WHAT OUR MEMBERS SAY:

"Thank you so much for your support. I couldn't have got through this process without you. It was amazing to feel like someone had my back and I had support to help me through this. Thanks to you and your colleagues."



LOTHIAN PENSION FUND INVESTMENT STRATEGY

Investment portfolio changes

The table below shows the changes to asset allocation over the year. These reflect both market movements and investment activity.

The Equity allocation is broadly unchanged over the past year, despite withdrawing over £280m of assets from the policy group. While underlying returns have been strong, the Fund has continued to sweep dividend income from the three

large internally managed global equity portfolios alongside specific reductions from each of these three portfolios and smaller scale reductions in the private equity and UK Mid Cap portfolios.

The Real Assets allocation decreased modestly during the year, primarily due to distributions of income and capital for existing private market investments which more than offset new investments. The Fund remains overweight versus the target Real Asset allocation at 31 March 2026.

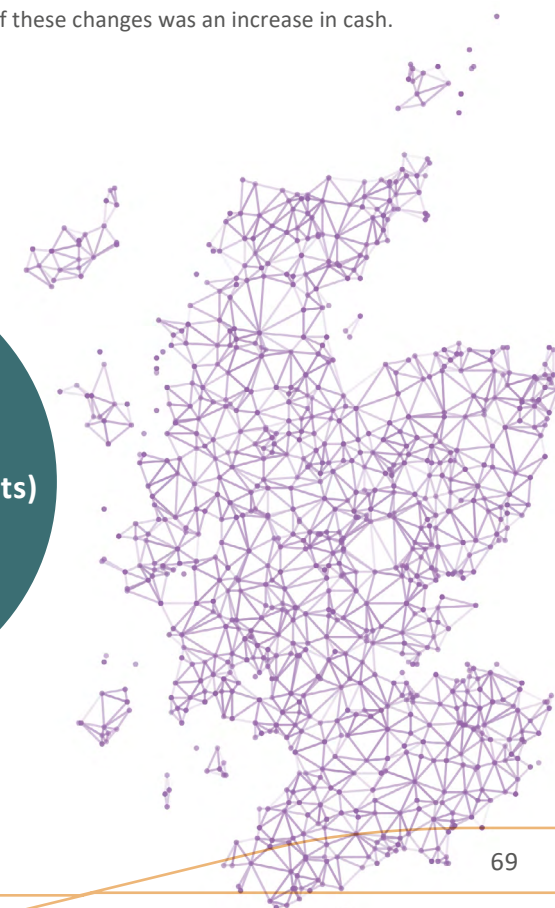
The allocation to Credit declined modestly over the year. Within Sovereigns, the exposure to US government bonds was exited during the year with the proceeds being invested in index-linked gilts to take advantage of more attractive yields. The Fund has a broadly neutral allocation to Sovereigns versus the strategic target at period end.

The net result of these changes was an increase in cash.

POLICY GROUP	Actual Allocation 31 March 2025	Actual Allocation 31 March 2026	Change %
Equities	53.1%	53.0%	-0.1%
Real Assets	22.3%	21.0%	-1.3%
Credit	3.2%	3.0%	-0.2%
Sovereigns	18.2%	17.2%	-1.0%
Cash	3.3%	5.8%	+2.5%
Total	100%	100%	

Note: Numbers may not sum due to rounding

At 31 March 2026
c.£330m
 (c.3.0% of total fund assets)
 is invested in assets
 located in Scotland,
 across infrastructure
 and property



LOTHIAN PENSION FUND INVESTMENT STRATEGY

Investment performance

The investment objective of the Fund is to achieve a return sufficient to meet the funding objectives over the long term as outlined in the Funding Strategy Statement. The Fund aims to generate adequate returns to pay promised pensions and to make the scheme affordable to employers now and in the future, while minimising the risk of having to increase contribution rates in the future.

This aim is translated into a strategic benchmark comprising a mix of assets, whose future returns are expected to approximate the required returns over the long term. The Fund isn't expected to track the benchmark from year to year, but it does target a return broadly in line with its strategic benchmark allocation over the long term, with a lower-than-benchmark level of risk.

Annualised returns to 31 March 2026 (% per year)	1 yr	5 yrs	10 yrs
Lothian Pension Fund	8.7	5.5	7.0
Benchmark*	11.8	3.3	7.4
Average Weekly Earnings (AWE)	3.8	6.3	4.3
Consumer Price Index (CPIH All Items)	3.5	5.1	3.4

*Comprises equity, Sonia, and gilts indices

Fund returns may deviate from benchmark returns, particularly over shorter timeframes. There are two main reasons why this may occur: most underlying portfolios aren't constructed to track listed market benchmarks, and private market benchmarks may not be well suited to short-term comparisons against the relevant private market assets.

The Fund's performance over the last year and over longer-term timeframes is presented in the table above, both relative to the asset benchmark and with other relevant economic metrics. UK CPI and Average Weekly Earnings are both measures of inflation and fund liabilities are linked to inflation. Both had grown at low and relatively stable rates for many years until more recently.

COLLEAGUE PROFILE CRAIG CARVER, IT OPERATIONS MANAGER

Craig joined LPF's IT Team in June 2025 supporting the Head of IT & Change with management of day-to-day operations of the IT department including overseeing the change process. Craig also manages the fund's technical systems and IT infrastructure to ensure they meet the evolving needs and priorities of the business, contributing to operational stability and the ongoing transformation of the fund.

"LPF offers a supportive, people focussed culture with strong opportunities for development, collaboration and innovation. Across IT, there is real ambition to make a difference by enhancing systems, improving services and supporting transformation that deliver value to the wider business"



LOTHIAN PENSION FUND INVESTMENT STRATEGY

The bar chart below presents the performance data in a long-term context. It shows rolling 5-year returns for the Fund, its asset-based benchmark, and the relative return. The historical record highlights that these numbers fluctuate meaningfully over time, and so caution is required when interpreting individual data points. It's important to remember that the objective of the Fund is to balance risk and return.

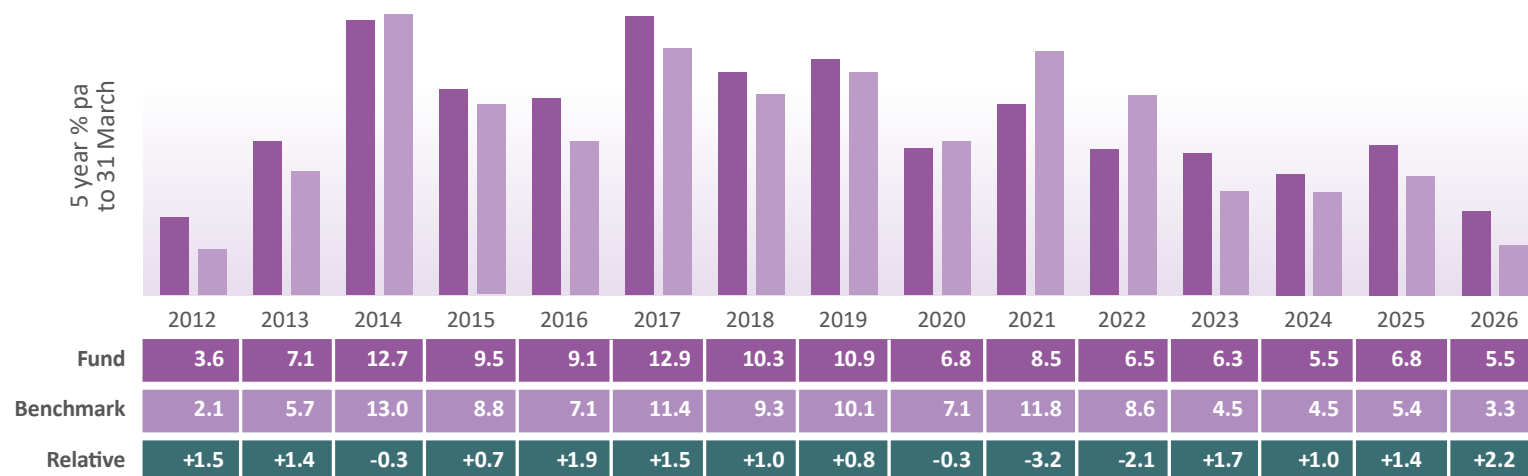
While the chart below looks solely at the return component, the table opposite adds the perspective of the risk taken to achieve those returns. This shows the Fund's risk and return over 1, 5 and 10 years and breaks down the performance by policy group. The data is supplied by the Fund's independent performance measurement provider.

TO END MARCH 2026

POLICY GROUP	1 year (%)		5 year (% pa)		10 year (% pa)	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
Equities	13.1	15.7	9.4	9.6	9.5	11.9
Real Assets	4.6	12.1	7.0	-3.7	7.2	1.5
Credit	7.0	4.6	2.5	-0.5	3.9	2.0
Sovereigns	2.0	3.2	-13.1	-13.4	-3.4	-3.6
Cash	3.5	4.0	3.2	3.3	1.8	1.8
Total Fund Return	8.7	11.8	5.5	3.3	7.0	7.4
Total Fund Risk*	5.7		10.4		6.8	

**source: Northern Trust – Risk figures shown are standard deviation of monthly returns*

ANNUALISED 5 YEARLY RETURNS ENDING 31 MARCH (% PER YEAR)



LOTHIAN PENSION FUND INVESTMENT STRATEGY

The Fund produced an absolute return of +8.7% over the year to 31 March 2026, 3.1% behind the benchmark return of +11.8%. This return was achieved with notably lower than benchmark risk.

Good absolute returns were achieved within Equities and, to a lesser extent, Credit and Real Assets. The Fund's equities gained 13.1% (in GBP) over the year, 2.6% behind the benchmark (0.9x MSCI ACWI, a commonly used global equity index). Equity returns over 5 and 10 years have lagged the benchmark, which has seen very strong absolute returns over an extended period, predominantly driven by a limited number of stocks.

Within the Real Assets category, the return of +4.6% was led by strength in listed (+12.8%) and unlisted (+6.0%) infrastructure. This helped to offset weakness in timber and agriculture (-1.9%) investments, which are a much smaller proportion of assets. Property returned +1.0% over the one year to end March 2026. The longer-term benchmark returns for Real Assets shown include a mix of equity and gilts indices, so caution is required in looking to draw meaningful conclusions from these.

There were reasonable gains within the Credit policy group (+7.0%) and following an extended period of negative returns, Sovereigns (+2.0%) made a modest gain over the year.

The Fund had been underweight versus strategic target in Sovereigns for some time, but with real yields becoming more

attractive than they've been for many years, it has gradually increased exposure and is at strategic target weight in Sovereigns as of end March 2026.

Five-year Fund returns were above benchmark at +5.5% p.a. vs +3.3% p.a. Over ten years the Fund return of +7.0% p.a. is modestly below the strategic benchmark return of +7.4% p.a. These longer-term returns should be viewed in context of the risk taken to achieve them.

From a risk perspective, the Fund has achieved its returns with notably lower levels of volatility than its benchmark (less than 60% of benchmark risk over five years and close to 70% over ten years). The Fund therefore achieved better risk-adjusted returns than benchmark over these longer timeframes, consistent with expectations. Separate analysis by CEM, an independent benchmarking provider, shows that Lothian Pension Fund achieved high risk-adjusted return (Sharpe ratio) over the 10 years to 31 March 2025 when compared to LGPS funds in its universe.



+8.7%



ABSOLUTE RETURN
PRODUCED BY THE FUND
OVER THE 12-MONTHS
TO END MARCH 2026
(BENCHMARK +11.8%)

We're proud of our awards and accreditations



The Pensions Administration Standards Association (PASA)

Holding PASA Accreditation is the gold standard for quality in pensions administration. We're proud to hold accreditation, as we believe that it's important that we can demonstrate that we're carrying out our role as a LGPS efficiently and effectively. The PASA standards are an excellent external validation of these capabilities.

We also maintained our Customer Service Excellence award with improved scores. We were delighted that our members reported 95.5% overall customer satisfaction in our annual surveys.



LOTHIAN PENSION FUND: FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2026

Financial statements

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

Lothian Pension Fund: Fund Account for the year ended 31 March 2026					
Parent	Group			Parent	Group
2024/25	2024/25			2025/26	2025/26
£000	£000		Note	£000	£000
Income					
174,811	174,811	Contributions from employers	5	190,035	190,035
64,354	64,354	Contributions from members	6	70,190	70,190
16,183	16,183	Transfers from other schemes	7	11,427	11,427
255,348	255,348			271,652	271,652
Less: expenditure					
253,226	253,226	Pension payments including increases	8	265,518	265,518
67,551	67,551	Lump sum retirement payments	9	66,887	66,887
8,257	8,257	Lump sum death benefits	10	11,381	11,381
1,356	1,356	Refunds to members leaving service		780	780
77,164	77,164	Transfers to other schemes	11	8,501	8,501
4,095	4,526	Administrative expenses	12	4,151	4,569
411,649	412,080			357,218	357,636
(156,301)	(156,732)	Net (withdrawals)/additions from dealing with members		(85,566)	(85,984)
Returns on investments					
328,209	328,209	Investment income	13	370,745	370,745
(58,972)	(58,972)	Change in market value of investments	15,20	568,659	568,659
(34,753)	(33,971)	Investment management expenses	12	(36,356)	(35,524)
234,484	235,266	Net returns on investments		903,048	903,880
78,183	78,534	Net increase in the fund during the year		817,482	817,896
10,242,824	10,243,820	Net assets of the fund at 1 April 2025		10,321,007	10,322,354
10,321,007	10,322,354	Net assets of the fund at 31 March 2026		11,138,489	11,140,250

This statement provides a breakdown of type and value of all net assets at the year end.

Lothian Pension Fund: Net Assets Statement for the year ended 31 March 2026					
Parent	Group			Parent	Group
31 March 2025	31 March 2025			31 March 2026	31 March 2026
£000	£000		Note	£000	£000
Investments					
10,290,125	10,290,125	Assets		11,103,543	11,103,543
(15,038)	(15,038)	Liabilities		(19,652)	(19,652)
10,275,087	10,275,087	Net investment assets	14	11,083,891	11,083,891
Non current assets					
9,060	9,060	Debtors	24	8,135	8,135
1,090	1,090	Computer systems		1,027	1,027
1,690	-	Share Capital	29	1,690	-
11,840	10,150			10,852	9,162
Current assets					
5,787	5,787	The City of Edinburgh Council	28	653	653
39,756	42,390	Cash balances	21, 28	37,032	39,811
19,905	20,666	Debtors	25	24,215	25,355
65,448	68,843			61,900	65,819
Non current liabilities					
-	(10)	Creditors		-	(13)
-	(10)			-	(13)
Current liabilities					
(465)	(465)	Provision for onerous contract	31	(338)	(338)
(468)	(468)	Provision for onerous lease	31	(356)	(356)
(30,435)	(30,783)	Creditors	26	(17,460)	(17,915)
(31,368)	(31,716)			(18,154)	(18,609)
10,321,007	10,322,354	Net assets of the fund		11,138,489	11,140,250

LOTHIAN PENSION FUND: FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2026

The unaudited accounts were issued on 24 June 2026 and the audited accounts were authorised for issue on 16 September 2026.

Jennifer O'Brien

Chief Financial Officer,
Lothian Pension Fund
16 September 2026

Notes to the net asset statement

The financial statements summarise the transactions of the Fund during the year and its net assets at the year end. They don't take account the obligations to pay pensions and benefits which fall due after the end of the year. The actuarial position of the Fund, which does take account of such obligations, is discussed in the Actuarial Valuation section of this report and these financial statements should be read in conjunction with that information. In addition, as required by IAS26, the Actuarial Present Value of Promised Retirement Benefits is disclosed in the notes to these financial statements.



LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

1 Statement of accounting policies

The statement of accounting policies for all funds can be found on page 137.

2 Prior Year Adjustment

Prior Year Restatement of Retirement benefits obligation - group

Following discovery of under reporting of pensionable pay by the Fund's controlled entity LPFE Limited originating in 2019 updated payroll information was provided to the actuary which resulted in the recalculation of group prior year pension liabilities.

This has resulted in a £nil impact in the Consolidated Financial Statements with the £645k increase in prior year Fund liabilities offset by the fair value of fund assets. Note 30 therefore shows a £645k restatement in the asset ceiling brought forward from 2025.

3 Lothian Pension Fund Group

Basis of consolidation, presentation of financial statements and notes

Commencing with the year ended 31 March 2018, Consolidated Financial Statements have been prepared for Lothian Pension Fund. The Financial Statements of Scottish Homes Pension Fund continue to be prepared on a single entity basis.

The Consolidated Financial Statements for Lothian Pension Fund are prepared by combining the Financial Statements of the Fund (the parent entity) and its controlled entities (LPFE Limited and LPFI Limited) as defined in accounting standard IAS27 - Consolidated and Separate Financial Statements. Consistent accounting policies are employed in the preparation and presentation of the Consolidated Financial Statements. All inter-entity balances and transactions between entities, including any unrealised profits or losses, have been eliminated on consolidation.

Because the controlled entities activities are primarily focused on the provision of services to the Fund, its consolidation has a limited impact on the figures included in the Fund Account and Net Assets Statement of Lothian Pension Fund. An additional

column has been added in both the Fund Account and Net Assets Statement, with the figures prior to consolidation being identified as "Parent" and after consolidation as "Group".

In the notes to the accounts, where there is a difference between the parent and group figures they're identified as either "Parent" or "Group".

The consolidation of the group accounts has been prepared after the approval by the Boards of LPFE Limited and LPFI Limited of their respective audited financial statements for 2025/26.

The figures used in the consolidation are therefore from the audited financial statements of both companies.

Notes	Description
28	Related party transactions and balances Describes transactions during the year and balances at year end which relate to the parent and the companies.
29a	Consolidated Lothian Pension Fund group - LPFE Limited - deferred tax Describes the deferred tax non-current asset of the Company. See 2 f) ii) in the Statement of Accounting Policies and General notes for more information.
29b	Consolidated Lothian Pension Fund group - LPFE Limited and LPFI Limited - share capital Describes the share capital of the Company.
30	Retirement benefits obligation - group Provides the information on the retirement benefits obligation of the Company as required under IAS19 - Employee Benefits. See 2 q) ii) in the Statement of Accounting Policies and General notes for more information.

LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

4 Events after the reporting date

There have been no events since 31 March 2026, and up to the date when these Financial Statements were authorised, that require any adjustments or disclosures to these Financial Statements.

5 Contributions from employers

The total contributions receivable for the administering authority, other scheduled bodies and admitted bodies were as follows:

Employer contributions, as calculated by the Fund Actuary, comprise two elements:

- An estimate of the cost of benefits accruing in the future, referred to as the primary contribution rate previously referred to as the future service rate, which is expressed as a percentage of payroll
- An adjustment for the solvency of the Fund based on the benefits already accrued, known as the secondary contribution rate. If there's a surplus, there may be a contribution reduction; if there's a deficit there may be a contribution increase. For all employers, contributions to cover any Past Service Deficit are expressed as a fixed

monetary sum, rather than as a percentage of payroll and are payable on a monthly basis that is one-twelfth of the annual total.

Where an employer makes certain decisions, which result in benefits being paid early, this results in a strain on the Fund. The resulting pension strain costs are calculated and recharged in full to that employer.

Any employer that ceases to have at least one actively contributing member is required to pay cessation contributions.

	2024/25	2025/26
By category	£000	£000
Primary Contribution (future service)	183,303	189,664
Secondary Contribution (past service deficit)	167	170
Strain costs	2,004	1,132
Cessation Contributions	(10,663)	(931)
	174,811	190,035

	2024/25	2025/26
By employer type	£000	£000
Administering Authority	69,164	70,574
Other Scheduled Bodies	93,418	96,650
Community Admission Bodies	11,478	21,754
Transferee Admission Bodies	751	1,057
	174,811	190,035

LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

6 Contributions from members

	2024/25	2025/26
By employer type	£000	£000
Administering Authority	23,365	24,352
Other Scheduled Bodies	31,749	36,102
Community Admission Bodies	8,615	8,771
Transferee Admission Bodies	625	965
	64,354	70,190

7 Transfers in from other pension schemes

	2024/25	2025/26
	£000	£000
Group transfers	-	-
Individual transfers	16,183	11,427
	16,183	11,427

8 Pensions payable

	2024/25	2025/26
By employer type	£000	£000
Administering Authority	105,467	109,489
Other Scheduled Bodies	107,763	113,715
Community Admission Bodies	39,094	41,331
Transferee Admission Bodies	902	983
	253,226	265,518

Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998 [Section 31] allows employers to pay additional pensions on a voluntary basis.

As is typical within the Local Government Pension Schemes (LGPS), arrangements exist whereby additional teachers' pensions and employee pensions are paid with the payment of funded pensions. The use of a Fund bank account for these "unfunded transfer payments" is prohibited. Accordingly, for

reasons of efficiency and simplicity, the pension payroll is combined and both funded and unfunded pension payments are made through a general fund bank account of the administering authority, City of Edinburgh Council. For the funded LGPS payments, the Fund transfers money from its own bank account to that of the City of Edinburgh Council's to cover the value of these benefits. For the unfunded payments, these are recharged to the employer body (or successor) which originally granted the discretionary benefits.

As "unfunded payments" are discretionary benefits, they're not relevant to the sums disclosed in the Fund accounts. As such, Lothian Pension Fund provides payment and billing services to certain employers on a no charge agency agreement basis.

LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

9 Lump sum retirement benefits payable

	2024/25	2025/26
By employer type	£000	£000
Administering Authority	23,251	22,092
Other Scheduled Bodies	34,535	33,803
Community Admission Bodies	9,586	10,496
Transferee Admission Bodies	179	496
	67,551	66,887

10 Lump sum death benefits payable

	2024/25	2025/26
By employer type	£000	£000
Administering Authority	3,379	4,263
Other Scheduled Bodies	3,852	5,929
Community Admission Bodies	1,003	994
Transferee Admission Bodies	23	195
	8,257	11,381

11 Transfers out to other pension schemes

	2024/25	2025/26
	£000	£000
Group transfers	61,653	-
Individual transfers	15,511	8,501
	77,164	8,501

12a Administrative expenses

LPFE, which is a wholly owned subsidiary of the Council, is responsible for providing the staffing resource to administer the pension funds. The Fund has a service level agreement in place with the Council for certain support services. Costs directly attributable to a specific Fund are charged to the relevant Fund, costs that are common to the two Funds are allocated on a defined basis.

	LPF Parent 2024/25	LPF Group 2024/25	LPF Parent 2025/26	LPF Group 2025/26
	£000	£000	£000	£000
Employee costs	2,326	2,679	2,661	2,999
System costs	631	641	711	722
Actuarial fees	50	50	45	45
External/internal audit fees	90	92	113	116
Legal fees	12	38	-	17
Printing and postage	94	94	168	168
Depreciation	85	85	100	100
Office costs	637	648	279	291
Sundry costs less sundry income	170	196	74	103
IAS19 retirement benefit adjustments - see note 29	-	-	-	-
Deferred tax on retirement benefit obligation - see note 28	-	-	-	-
Corporation tax	-	3	-	8
	4,095	4,526	4,151	4,569

LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

12b Investment management expenses

	LPF Parent 2024/25	LPF Group 2024/25	LPF Parent 2025/26	LPF Group 2025/26
	£000	£000	£000	£000
External management fees:				
invoiced	1,135	1,135	1,032	1,032
deducted from capital (direct investment)	20,903	20,903	22,654	22,654
deducted from capital (indirect investment)	682	682	404	404
Securities lending fees	79	79	200	200
Transaction costs - Equities	2,136	2,136	1,806	1,806
Property operational costs	805	805	921	921
Third party - Invest property service charge expense	12,973	12,973	14,823	14,823
Third party - Invest property service charge income	(12,973)	(12,973)	(14,823)	(14,823)
Employee costs	5,283	5,904	5,643	6,462
Custody fees	387	387	383	383
Engagement and voting fees	88	88	88	88
Performance measurement fees	64	64	63	63
Consultancy fees	95	95	103	103
Research fees	358	358	324	324
System costs	1,250	1,307	1,334	1,396
Legal fees	101	350	67	229
Depreciation	125	125	165	165
Office costs	956	1,019	415	480
Sundry costs less sundry income	306	(1,520)	754	(1,231)
IAS19 retirement benefit adjustments - see note 29	-	-	-	-
Deferred tax on retirement benefit obligation - see note 28	-	-	-	-
Corporation tax	-	54	-	45
Corporation tax gains utilised by CEC group	-	-	-	-
	34,753	33,971	36,356	35,524

LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

12b Investment management expenses (cont.)

	Total	Management /Expense fees	Performance related fee	Transaction costs
2025/26	£000	£000	£000	£000
Bonds	20	20	-	-
Equities	2,983	1,176	-	(1,807)
Pooled investment vehicles	23,058	20,487	2,571	-
Property	921	921	-	-
Cash and FX contracts	36	36	-	-

	Total	Management /Expense fees	Performance related fee	Transaction costs
2024/25	£000	£000	£000	£000
Bonds	24	24	-	-
Equities	3,540	1,404	-	2,136
Pooled investment vehicles	21,345	17,932	3,413	-
Property	805	805	-	-
Cash and FX contracts	26	26	-	-

Investment costs directly attributable to a specific fund are charged to the relevant Fund, costs that are common to both funds are allocated based on the value of the Funds as at the year end.

Any indirect costs incurred through the bid-offer spread on some pooled investment vehicles are reflected in the cost of investment acquisitions or in the proceeds of investment sales (see note 15

- Reconciliation of movements in investments and derivatives).

The external investment management fees (deducted from capital) above include £2.6m (£2.6m direct) in respect of performance-related fees compared to £3.4m in 2024/25 (£3.4m direct).

It should be noted that Lothian Pension Fund's disclosure on investment management fees exceed CIPFA's "Accounting for Local Government Pension Scheme Management Costs" revised guidance on cost transparency which came into effect from 1 April 2016. Consistent with previous years, the Fund recognises fees deducted from investments not within its direct control (such as fund of fund fees) to give a full picture of its investment management costs. Further details can be found in the "Investment management cost transparency" section of the Management Commentary. This further disclosure highlights an extra £0.4m in costs (2025 £0.7m).

12c Total management expenses

In accordance with CIPFA guidance, the analysis below considers the combined administration and investment management expenses in notes 12a and 12b and splits out the costs to include a third category covering oversight and governance expenditure.

	LPF Parent 2024/25	LPF Group 2024/25	LPF Parent 2025/26	LPF Group 2025/26
	£000	£000	£000	£000
Administrative costs	3,267	3,380	3,527	3,749
Investment management expenses	29,400	28,535	31,189	30,390
Oversight and governance costs	6,181	6,582	5,791	5,954
	38,848	38,497	40,507	40,093

LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

DR DEBORAH SMART



" LPFE's role is to employ, support and develop the colleagues who deliver services for LPF and LPFI, and once again this year our people have demonstrated exceptional commitment to providing high quality pensions administration and investment support. The Board was pleased to see continued growth and development within the organisation, with targeted recruitment, internal career progression and further success of the Trainee Member Administrator Academy – a vital pipeline for future administrative capability within the Fund.

Supporting and engaging our colleagues remains essential to our ability to attract and retain the skilled and talented workforce required for the increasingly complex pensions and investment environment in which LPF operates. This year, the Board considered a number of people related priorities, including reward and recognition, professional development and leadership capability. We were also encouraged to see strong participation and positive engagement through the 'Your Voice' surveys, the results of which are considered by the Board, and which continue to provide valuable insight into colleague experience and organisational culture. While remuneration is a key consideration,

so too is culture, flexible working arrangements and opportunities for learning and career development. As we continue to evolve, so too will the needs of the teams. As we look to next year, LPFE will continue to invest time in its people proposition and the promotion of continuous learning and growth.

As Chair of the Board, I am supported by four Non-Executive Directors and an Executive Director, who bring valuable skills and experience to Board discussions; with the year seeing Denise Le Gal being appointed as an Independent non-Executive Director in June 2025 and Leslie Robb stepping down in February 2026. On behalf of the Board, I would like to extend my sincere thanks to all colleagues for their dedication, professionalism and contribution over the past year. Their expertise and commitment remain fundamental to delivering excellent services for the members and employers of the Funds, our partners and wider stakeholders."



LPFE Board (Chair), CEC Corporate Director of Customer and Corporate Services

LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

13 Investment income

	2024/25	2025/26
	£000	£000
Income from bonds	15,774	21,106
Dividends from equities	188,984	196,979
Unquoted private equity and infrastructure	87,354	118,172
Income from pooled investment vehicles	5,743	2,149
Gross rents from properties	25,010	24,079
Interest on cash deposits	12,299	10,675
Stock lending and sundries	457	1,196
	335,621	374,356
Irrecoverable withholding tax	(7,412)	(3,611)
	328,209	370,745

Included within the dividend from equities income for the year is cross border withholding tax yet to be received. The Fund's custodian Northern Trust manages this process and due to the high certainty of success, it's assumed that the Fund will make full recovery of these reclaims. For the period of 2025/26 £11,273k of the stated income relates to tax yet to be received. At 31 March 2026 £34,471k (including prior periods) of investment income receivable related to cross border withholding tax. The Fund monitors these claims to ensure its optimum tax efficiency and provides an annual progress report to the Pensions Audit Sub-Committee.



LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

14 Net investment assets	31 March 2025	31 March 2026
Investment assets	£000	£000
Bonds		
Public sector fixed interest	261,923	492,134
Public sector index linked gilts quoted	1,698,021	1,722,470
	1,959,944	2,214,604
Equities		
Quoted	5,345,024	5,783,635
	5,345,024	5,783,635
Pooled investment vehicles		
Private equity, infrastructure, private debt & timber	1,948,126	1,932,669
Property	124,915	112,255
Other	167,667	215,517
	2,240,707	2,260,441
Properties		
Direct property	381,255	389,756
	381,255	389,756
Derivatives		
Derivatives - forward foreign exchange	1,990	-
	1,990	-
Cash deposits		
Deposits	291,767	384,132
	291,767	384,132
Other investment assets		
Due from broker	542	7,489
Dividends and other income due	68,896	63,486
	69,438	70,975
Total investment assets	10,290,125	11,103,543

Investment liabilities	31 March 2025	31 March 2026
£000	£000	£000
Derivatives		
Derivatives - forward foreign exchange	-	(10,901)
	-	(10,901)
Other financial liabilities		
Amounts payable for investment purchasing commitments	(14,693)	-
Due to broker	(346)	(8,751)
	(15,039)	(8,751)
Total investment liabilities	(15,039)	(19,652)
Net investment assets	10,275,087	11,083,891



LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

15a Reconciliation of movement in investments and derivatives

	Market value at 31 March 2025	Purchase at cost & derivative payments	Sale & derivative receipts	Change in market value	Market value at 31 March 2026
	£000	£000	£000	£000	£000
Bonds	1,959,944	567,461	(339,267)	26,466	2,214,604
Equities	5,345,024	909,415	(1,001,266)	530,462	5,783,635
Pooled investment vehicles	2,240,708	145,977	(147,524)	21,280	2,260,441
Property	381,255	34,503	(28,772)	2,770	389,756
Derivatives - forward foreign exchange	1,989	11,654	(10,631)	(13,913)	(10,901)
	9,928,920	1,669,010	(1,527,460)	567,065	10,637,535

Other financial assets / liabilities

Cash deposits*	291,767		1,595	384,132
Amounts payable for investment purchasing commitments	(14,693)		-	-
Broker balances*	197		(1)	(1,262)
Investment income due*	68,896		-	63,486
	346,167		1,594	446,356
Net financial assets	10,275,087		568,659	11,083,891

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Any indirect costs incurred through the bid-offer spread on some pooled investment vehicles are reflected in the cost of investment acquisitions and in the proceeds from sales and are therefore included in the tables above.

* As per CIPFA disclosures the change in market value intentionally does not balance opening/closing market values.

LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

15a Reconciliation of movement in investments and derivatives (cont.)

	Market value at 31 March 2024*	Purchase at cost & derivative payments	Sale & derivative receipts	Change in market value	Market value at 31 March 2025
	£000	£000	£000	£000	£000
Bonds	1,700,485	980,037	(462,109)	(258,469)	1,959,944
Equities	5,610,224	1,223,955	(1,666,582)	177,427	5,345,024
Pooled investment vehicles	2,252,099	228,178	(255,659)	16,090	2,240,708
Property	363,614	17,324	-	317	381,255
Derivatives - forward foreign exchange	509	6	(1,117)	2,591	1,989
	9,926,931	2,449,500	(2,385,467)	(62,044)	9,928,920

Other financial assets / liabilities

Cash deposits*	279,426	3,071	291,767
Amounts payable for investment purchasing commitments	(61,139)	-	(14,693)
Broker balances*	(16,672)	1	197
Investment income due*	61,873	-	68,896
	263,488	3,072	346,167
Net financial assets	10,190,419	(58,972)	10,275,087

* As per CIPFA disclosures the change in market value intentionally does not balance opening/closing market values

15b Reconciliation of fair value measurements within level 3

	Market value at 31 March 2025	Level 3 transfers		Purchases at cost & derivative payments	Sale & derivative receipts	Unrealised gains / (losses)	Realised gains / (losses)	Market value at 31 March 2026
	£000	in	out	£000	£000	£000	£000	£000
Pooled investments								
Infrastructure	1,671,683	121,962	(175,050)	175,272	(73,098)	(4,789)	814	1,716,793
Property	100,926	502	(10,198)	11,648	(9,882)	8,198	(5,708)	95,487
Private equity	21,551	56	(11,182)	14,131	(14,157)	1,158	(3,017)	8,540
Timber	96,981	443	(2,296)	2,375	(641)	(3,851)	209	93,221
Private debt	180,484	5,497	(56,001)	63,193	(49,767)	(2,903)	835	141,338
Freehold property								
	381,254	-	-	34,503	(28,772)	2,770	-	389,756
	2,452,880	128,460	(254,728)	301,123	(176,316)	583	(6,867)	2,445,135

Unrealised and realised gains and losses are recognised in the profit and losses on disposal and changes in the market value of investments line of the fund account.

LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

16 Derivatives - forward foreign exchange

Summary of contracts held at 31 March 2026.

Contract settlement within	Currency bought	Currency sold	Local currency bought	Local currency sold	Asset value	Liability value
			000	000	£000	£000
Up to one month	GBP	AUD	137,107	(279,191)	-	(7,881)
Up to one month	GBP	NOK	70,777	(947,978)	-	(3,020)
Open forward currency contracts at 31 March 2026					-	(10,901)
Net forward currency contracts at 31 March 2026						(10,901)

Prior year comparative

Open forward currency contracts at 31 March 2025	6,616	(4,626)
Net forward currency contracts at 31 March 2025		1,990

The table opposite summarises the contracts held by maturity date; all contracts are traded on an over-the-counter basis.

To maintain appropriate diversification of investments in the portfolio and take advantage of wider opportunities, the Lothian Pension Fund invests over half of the fund in overseas markets. A currency hedging programme, using forward foreign exchange contracts, has been put in place to reduce the extent to which the Fund is exposed to certain currency movements.

LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

17 Investment managers and mandates

		Market value at 31 March 2025	% of total 31 March 2025	Market value at 31 March 2026	% of total 31 March 2026
Manager	Mandate	£000	%	£000	%
In-house	UK all cap equities	323,063	3.1	336,270	3.0
In-house	UK mid cap equities	76,576	0.7	92,661	0.8
Total UK equities		399,639	3.8	428,932	3.8
In-house	European ex UK equities	168,741	1.6	298,227	2.7
In-house	US equities	379,136	3.7	423,778	3.8
Total regional overseas equities		547,877	5.3	722,005	6.5
In-house	Global high dividend	1,341,666	13.1	1,385,830	12.5
In-house	Global low volatility	1,376,621	13.4	1,390,968	12.5
In-house	Global multi factor value	1,357,439	13.2	1,416,562	12.8
In-house	Global quality	197,099	1.8	318,440	2.9
Baillie Gifford	Global equities	205,288	2.0	211,172	1.9
Total global equities		4,478,112	43.5	4,722,972	42.6
In-house	Currency hedge	1,990	-	(10,901)	(0.1)
Total currency overlay		1,990	-	(10,901)	(0.1)
Total listed equities		5,427,618	52.6	5,863,008	52.8
In-house	Private equity unquoted	21,550	0.2	8,148	0.1
Total private equity		21,550	0.2	8,148	0.1
Total equity		5,449,168	52.8	5,871,156	52.9

		Market value at 31 March 2025	% of total 31 March 2025	Market value at 31 March 2026	% of total 31 March 2026
Manager	Mandate	£000	%		
In-house	Index linked gilts	1,265,962	12.3	1,459,596	13.2
In-house	Nominal gilts	159,704	1.4	160,818	1.5
In-house	US TIPS (Formerly Sovereign bonds)	168,879	1.6	-	0.0
In-house	Mature employer gilts	271,300	2.6	281,146	2.5
Total inflation linked assets		1,865,845	17.9	1,901,560	17.2
In-house	Indirect property	100,926	1.0	95,487	0.9
In-house	Property	389,462	3.8	408,588	3.7
In-house	Infrastructure unquoted	1,663,378	16.2	1,712,511	15.5
In-house	Infrastructure quoted	18,190	0.2	19,214	0.2
In-house	Timber	96,981	0.9	92,692	0.8
Total real assets		2,268,938	22.1	2,328,491	21.1
Baillie Gifford	Corporate bonds	9	0.0	-	0.0
In-house	Private debt	175,743	1.7	136,493	1.2
In-house	Investment grade credit	130,219	1.3	135,451	1.2
In-house	Agency MBS	19,721	0.0	20,406	0.2
Royal London	Sterling Corporate Bond	-	0.0	41,149	0.4
Total debt assets		325,693	3.0	333,499	2.6

LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

17 Investment managers and mandates (cont)

		Market value at 31 March 2025	% of total 31 March 2025	Market value at 31 March 2026	% of total 31 March 2026
Manager	Mandate	£000	%	£000	%
In-house	Cash	362,818	3.5	646,776	5.8
In-house	Transitions	2,625	0.0	2,409	0.0
Total cash and sundries		365,443	3.5	649,185	5.8
Net financial assets		10,275,086	100.0	11,083,891	100.0

Over the last two years no single investment represented more than 5% of the net assets of the Fund.

18 Securities lending

During the year Lothian Pension Fund participated in a securities lending arrangement with the Northern Trust Company. As at 31 March 2026, £701.1m (2025 £190.3m) of securities were released to third parties. Collateral valued at 107.6% (2025 108.8%) of the market value of the securities on loan was held at that date.

19 Property holdings

	2024/25	2025/26
	£000	£000
Opening balance	363,614	381,255
Additions	17,324	34,503
Disposals	-	(28,772)
Net change in market value	317	2,770
Closing balance	381,255	389,756

As at 31 March 2026, there were no restrictions on the realisability of the property or the remittance of income or sale proceeds. As at 31 March 2026, the Fund had no contractual obligation for any further construction costs.

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

	2024/25	2025/26
	£000	£000
Within one year	24,361	24,706
Between one and five years	64,028	68,753
Later than five years	84,059	82,871
	172,448	176,330

LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

20 Financial instruments

20a Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the fair value amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

All financial instruments are marked to market (at fair value) in the Fund accounting records, hence there's no difference between the carrying value and fair value.

Classification of financial instruments - parent	31 March 2025			31 March 2026		
	Designated as fair value through Fund Account	Loans and receivables	Financial liabilities at amortised cost	Designated as fair value through Fund Account	Loans and receivables	Financial liabilities at amortised cost
Investment assets	£000	£000	£000	£000	£000	£000
Bonds	1,959,944	-	-	2,214,604	-	-
Equities	5,345,024	-	-	5,783,636	-	-
Pooled investments	2,240,707	-	-	2,260,441	-	-
Property leases	-	-	-	-	-	-
Derivative contracts	1,990	-	-	(10,901)	-	-
Margin balances	-	-	-	-	-	-
Cash	-	291,767	-	-	384,132	-
Other balances	-	69,439	-	-	70,975	-
	9,547,665	361,206	-	10,247,780	455,107	-
Other assets						
City of Edinburgh Council	-	5,787	-	-	653	-
Cash	-	39,756	-	-	37,032	-
Share Capital	-	1,690	-	-	1,690	-
Debtors - current	-	19,905	-	-	24,215	-
Debtors - non-current	-	9,060	-	-	8,135	-
	-	76,198	-	-	71,725	-
Assets total	9,547,665	437,404	-	10,247,780	526,832	-
Financial liabilities						
Investment liabilities						
Derivative contracts	-	-	-	-	-	-
Other investment balances	-	(15,039)	-	-	(8,751)	-
	-	(15,039)	-	-	(8,751)	-
Other liabilities						
Creditors	-	-	(31,368)	-	-	(18,154)
Liabilities total	-	(15,039)	(31,368)	-	(8,751)	(18,154)

LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

20a Classification of financial instruments (cont)

Classification of financial instruments - parent	31 March 2025			31 March 2026		
	Designated as fair value through Fund Account	Loans and receivables	Financial liabilities at amortised cost	Designated as fair value through Fund Account	Loans and receivables	Financial liabilities at amortised cost
Total net assets	9,547,665	422,365	(31,368)	10,247,780	518,081	(18,154)
Total net financial instruments			9,938,662			10,747,707
Amounts not classified as financial instruments			382,345			390,782
Total net assets - parent			10,321,007			11,138,489
Adjustments to Parent to arrive at Group						
Other assets						
Cash	-	2,634	-	-	2,779	-
Share capital	-	(1,690)	-	-	(1,690)	-
Debtors - current	-	760	-	-	1,140	-
Debtors - non-current	-	-	-	-	-	-
Debtors - non-current Retire. benefit obligation	-	-	-	-	-	-
	-	1,704	-	-	2,229	-
Assets total	-	1,704	-	-	2,229	-
Other liabilities						
Retire. benefit obligation	-	-	-	-	-	-
Creditors	-	(347)	-	-	(455)	-
Creditors - non current	-	(10)	-	-	(13)	-
Liabilities total	-	(357)	-	-	(468)	-
Total net assets	-	1,347		-	1,761	-
Total adjustments to net financial instruments			1,347			1,761
Total net assets - group			10,322,354			11,140,250

LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

20b Net gains and losses on financial instruments

	2024/25	2025/26
	£000	£000
Designated as fair value through Fund Account	(62,361)	564,295
Loans and receivables	3,072	1,594
Financial liabilities at amortised cost	-	-
Total	(59,289)	565,889
Gains and losses on directly held freehold property	317	2,770
Change in market value of investments per fund account	(58,972)	568,659



LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

20c Fair value hierarchy

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

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 or liabilities. Products classified as Level 1 comprise quoted equities, government bonds and unit trusts.

Quoted 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 isn't considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs 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 isn't based on observable market data. Such instruments would include unquoted equity investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investments in unquoted private equity, infrastructure, timber and European real estate are based on valuations provided by the general partners to the funds in which the Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation (IPEV) Guidelines or similar guidelines provided by the British Venture Capital Association, which follow the valuation principles of International Financial Reporting Standards (IFRS). The valuations are typically undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March 2026 as appropriate.

ALISON MURRAY



"Now in my third year as Independent Professional Observer at LPF, I have continued to support the Pensions Committee, Sub-Committee and Pension Board through providing independent observations and constructive challenge, impartial from officers of the Fund. This has been a significant year, with a strong focus on the Fund's Governance Review. As part of the Working Group, I have valued the collaborative approach and the openness of Committee and Board Members and officers throughout. This work has provided an important opportunity to reflect on current arrangements and identify enhancements which will help shape the Funds governance

framework for the future. Implementing these key actions will be essential to ensuring strong governance continues to underpin decision-making, with members and employers at the heart of the Fund."
It has been a rewarding period to be part of LPF, and I look forward to supporting the Committee and Pension Board as the Fund progresses the delivery of a comprehensive and detailed Strategy and Business Plan in the year ahead."

Independent Professional Observer



LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

20c Fair value hierarchy (cont)

	31 March 2026			
	Level 1	Level 2	Level 3	Total
Investment assets at fair value through Fund Account	£000	£000	£000	£000
Bonds	2,214,604	-	-	2,214,604
Equities	5,783,636	-	-	5,783,636
Pooled investment vehicles	38,926	236,609	1,984,906	2,260,441
Derivatives	(10,901)	-	-	(10,901)
Cash deposits	384,133	-	-	384,132
Investment income due	63,486	-	-	63,486
Amounts due from broker	7,489	-	-	7,489
Non-financial assets at fair value through profit and loss				
Property	-	-	389,756	389,756
Total investment assets	8,481,373	236,609	2,374,662	11,092,643
Investment liabilities at fair value through Fund Account	(8,751)	-	-	(8,751)
Total investment liabilities	(8,751)	-	-	(8,751)
Net investment assets	8,472,622	236,609	2,374,662	11,083,892

	31 March 2025			
	Level 1	Level 2	Level 3	Total
Investment assets at fair value through Fund Account	£000	£000	£000	£000
Bonds	1,959,944	-	-	1,959,944
Equities	5,345,024	-	-	5,345,024
Pooled investment vehicles	52,486	154,280	2,033,941	2,240,707
Derivatives	1,990	-	-	1,990
Cash deposits	291,767	-	-	291,767
Investment income due	69,239	-	-	69,239
Amounts due from broker	200	-	-	200
Non-financial assets at fair value through profit and loss				
Property	-	-	381,254	381,254
Total investment assets	7,720,650	154,280	2,415,195	10,290,125
Investment liabilities at fair value through Fund Account	(15,038)	-	-	(15,038)
Total investment liabilities	(15,038)	-	-	(15,038)
Net investment assets	7,705,612	154,280	2,415,195	10,275,087

LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

21 Nature and extent of risk arising from financial instruments

Risk and risk management

The Fund's primary aim is to ensure that all members and their dependants receive their benefits when they become payable. The main investment strategy aims to maximise the returns from investments within reasonable risk parameters and hence minimise the long-term cost to employers. It achieves this by investing in a diverse range of assets to reduce risk to an acceptable level. In addition, the Fund ensures that sufficient cash is available to meet all liabilities when they're due to be paid.

Responsibility for the Fund's overall investment strategies rests with the Pensions Committee. The Joint Investment Forum and the internal investment team monitor investment risks on a regular basis. Investment risk management tools are used to identify and analyse risks faced by the Fund's investments.

Consideration of the Fund's investment risk is part of the overall risk management of the pensions operations. Risks are reviewed regularly to reflect changes in activity and market

Types of investment risk

There are various ways of considering investment risks for pension funds. For the purposes of this note, market risk is the potential for an investor to experience losses from falls in the prices of investments. All financial instruments, including cash deposits, present a risk of loss of capital and risks vary depending on different asset classes.

Market risk also changes over time as economic conditions and investor sentiment change. The Fund considers overall fluctuations in prices arising from a variety of sources: market risk, foreign exchange risk, interest rate risk, credit risk, etc. The different risks may, to some extent, offset each other.

The overall market risk of the Fund depends on the actual mix of assets and encompasses all the different elements of risk.

The Fund manages these risks in a number of ways:

- Assessing and establishing acceptable levels of market risk when setting overall investment strategy. Importantly, risk is considered relative to the liabilities of the Fund
- Diversification of investments in terms of type of asset, investment styles, investment managers, geographical and industry sectors as well as individual securities taking stewardship responsibilities seriously and pursuing constructive engagement with the companies in which we invest
- Monitoring market risk and market conditions to ensure risk remains within tolerable levels
- Using equity futures contracts from time to time to manage market risk. Options are not used by the Fund.

WHAT OUR MEMBERS SAY:

"I'd like to compliment your phone system. It's nice and easy to get through, very clear for older people and very easy to use. Your website is also great. Great service all round."



LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

Sensitivity analysis

Asset prices have a tendency to fluctuate. The degree of such fluctuation is known as “volatility” and it differs by asset class. The table sets out the long-term volatility assumptions used in the Fund’s asset-liability modelling undertaken by Isio investment advisers.

Volatility is the standard deviation of annual returns. Broadly speaking, in two years out of three, the asset’s change in value (which could be a gain or a loss) is expected to be lower than the volatility figure, but in one year out of three, the change in value is expected to be higher than the volatility figure.

Asset classes don’t always move in line with each other. The extent to which assets move together is known as their “correlation”. A lower correlation means that there’s less risk of assets losing value at the same time.

The overall fund benefits from “diversification” because it invests in different asset classes, which don’t all move in line with each other. Consequently, the aggregate risk at the fund level is less than the total risk from all the individual assets in which the Fund invests. The following table shows the risks at the asset class level and the overall Fund level, with and without allowance for correlation.

Asset type	Potential price movement (+ or -)
Equities - Developed Markets	19.0%
Equities - Emerging Markets	26.0%
Private equity	24.0%
Timber and gold	15.0%
Secured loans	10.5%
Fixed interest Gilts	13.6%
Index-linked Gilts	12.3%
Infrastructure	12.0%
Property	15.0%
Cash	2.0%



LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

21 Nature and extent of risk arising from financial instruments (cont)

The value on increase/decrease columns illustrate the monetary effect of the percentage change in the volatility column. The actual annual change in value is expected to be lower than this in two years out of three, but higher in one year out of three.

It can be seen that the risk to the overall fund assets [2] is lower than the total of the risks to the individual assets.

However, because the purpose of a pension scheme is to make payments to scheme beneficiaries, the true risk of a pension scheme isn't measured in absolute terms, but relative to its liabilities [3].

This risk analysis incorporates volatility from market, interest rate, foreign exchange, credit, and all other sources of risk, and, importantly, makes allowance for how these risks may offset each other.

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 risk in their pricing and consequently the risk of loss is implicitly provided for in the value of the Fund's assets and liabilities (as outlined in Market Risk above).

In essence, the Fund's entire investment portfolio is exposed to some sort of credit risk. However, through the selection of counterparties, brokers and financial institutions, the Fund reduces the credit risk that may occur through the failure to settle a transaction in a timely manner.

Cash deposits, derivatives and securities lending are the major areas of credit exposure where credit risk isn't reflected in market prices.

	Value at 31 March 2026	% of fund	Potential Change +/-	Value on increase	Value on decrease
	£m	%	%	£m	£m
Equities - Developed Markets	5,316	48.0	19.0%	6,326	4,306
Equities - Emerging Markets	552	5.0	26.0%	695	408
Private equity	8	0.1	24.0%	10	6
Timber and gold	93	0.8	15.0%	107	79
Secured loan	313	2.8	10.5%	346	280
Fixed interest Gilts	629	5.7	13.6%	715	544
Index-linked Gilts	1,735	15.7	12.3%	1,948	1,521
Infrastructure	1,731	15.6	12.0%	1,939	1,524
Property	476	4.3	15.0%	547	405
Cash and forward foreign exchange	229	2.1	2.0%	234	225
Total [1]	11,083	100.0	16.1%	12,868	9,298
Total [2]			11.9%	12,403	9,762
Total [3]			12.4%	12,456	n/a

[1] No allowance for correlations between assets [2] Including allowance for correlations between assets

[3] Including allowance for correlation between assets and liabilities.

LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

Cash deposits

At 31 March 2026, cash deposits represented £421m, 3.78% of total net assets. This was held with the following institutions:

	Moody's Credit Rating at 31 March 2026	Balances at 31 March 2025	Balances at 31 March 2026
Held for investment purposes		£000	£000
Northern Trust Global Investment Limited - liquidity funds	A2	6,654	11,412
Northern Trust Company - cash deposits	A2	92,387	95,262
UK Short-Term Bills and Notes	Aa3	74,596	173,383
The City of Edinburgh Council - treasury management	See below	92,712	90,135
Northern Trust In house property cash	A2	16,272	6,873
JLL In house property cash (Barclays)	A1	9,146	7,067
Total investment cash		291,767	384,132
Held for other purposes			
The City of Edinburgh Council - treasury management	See below	39,669	36,920
Royal Bank of Scotland	A1	87	112
Total cash - parent		331,523	421,164
Cash held by LPFE/LPFI Limited			
Royal Bank of Scotland	A1	874	944
Northern Trust Global Investment Limited - liquidity funds	A2	580	639
Northern Trust Company - cash deposits	A2	602	600
UK Short-Term Bills and Notes	Aa3	577	596
Total cash - group		334,156	423,943

The majority of Sterling cash deposits of the Fund are managed along with those of the administering authority (the City of Edinburgh Council) and other related organisations which are pooled for investment purposes as a treasury cash fund. Management of the cash fund is on a low risk basis, with security of the investments the key consideration.

LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

21 Nature and extent of risk arising from financial instruments (cont)

The Council has in place institutional restrictions on investments and counterparty criteria. These include:

- a) UK Government and other UK local Authorities with no limit, other public bodies up to £20 million per organisation
- b) Money market funds (MMFs) no more than £30 million or 15% with any one Fund
- c) Financial Institutions: Banks and Building Societies with multiple criteria based on a range of short and long term credit ratings, as well as any security, provided from maximum of £60 million / 20% of assets under management (AUM) for institutions with the highest criteria to £10 million / 5% of AUM for institutions with the lowest acceptable criteria.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Fund doesn't expect any losses from non-performance by any of its counterparties in relation to deposits.

	Moody's Credit Rating at 31 March 2026	Balances at 31 March 2025	Balances at 31 March 2026
		£000	£000
Money market funds			
Deutsche Bank AG, London	Aaa-mf	20,633	19,165
Goldman Sachs	Aaa-mf	52	652
Aberdeen Standard Sterling Liquidity Fund	Aaa-mf	20,641	19,165
Bank call accounts			
Bank of Scotland	A1	19	17
Royal Bank of Scotland	A1	2,778	1,147
Santander UK	A1	38	36
Barclays Bank	A1	20	20
Svenska Handelsbanken		74	72
HSBC Bank PLC	A1	12	-
Notice accounts			
HSBC Bank PLC	A1	7	-
UK Government			
Gilts & T-Bills and UK Government Debt	Aa3	5,026	-
UK Pseudo-Sovereign risk instruments			
Other Local Authorities [1]	Aa3	83,081	87,106
		132,381	127,380

[1] Very few Local Authorities have their own credit rating, but they're generally assumed to have a pseudo-sovereign credit rating (which in the UK at 31 March 2026 was 'Aa3').

LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

Securities lending

The Fund participates in a securities lending programme as described above. The Fund is potentially exposed to credit risk in the event of the borrower of securities defaulting. This risk is mitigated by the contractual commitment that borrowers provide collateral in excess of 100% of the value of the securities borrowed. In addition, Northern Trust has signed an agreement requiring it to make good any losses arising from the lending programme.



Derivatives

The Fund transacts foreign currency derivatives over-the-counter and hence is exposed to credit risk in the event of a counterparty defaulting on the net payment or receipt that remains outstanding. This risk is minimised by the use of counterparties that are recognised financial intermediaries with acceptable credit ratings and by netting agreements. At 31 March 2026, the Fund owed £10,901k on over-the-counter foreign currency derivatives.

Refinancing risk

Refinancing risk is the risk that the Fund will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The Fund isn't bound by any obligation to replenish its investments so isn't exposed to refinancing risk.

Liquidity risk

Liquidity risk reflects the risk that the Fund won't be able to meet its financial obligations as they fall due. The Fund therefore ensures that there's adequate cash and liquid resources to meet its commitments. Cash flow projections are prepared on a regular basis to understand and manage the timing of the Fund's cash flows.

The majority (estimated to be approximately 79% (2025 76%) of the Fund's investments could be converted to cash within three months in a normal trading environment.

22 Actuarial statement

The Scheme Actuary has provided a statement describing the funding arrangements of the Fund. This can be found at the end of this section.



LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

23 Actuarial present value of promised retirement benefits

The actuarial value of promised retirement benefits at the accounting date, calculated in line with International Accounting Standard 19 (IAS19) assumptions, is estimated to be £5,648m (2025 £5,480m). This figure is used for statutory accounting purposes by Lothian Pension Fund and complies with the requirements of IAS26. The assumptions underlying the figure match those adopted for the Administering Authority's FRS102/IAS19 reports at each year end.

The figure is only prepared for the purposes of IAS26 and has no validity in other circumstances. In particular, it's not relevant for calculations undertaken for funding purposes and setting contributions payable to the Fund.

	31 March 2025	31 March 2026
	% p.a.	% p.a.
Inflation / pensions increase rate	2.8	3.0
Salary increase rate	3.5	3.7
Discount rate	5.8	6.2



	31 March 2025		31 March 2026	
	Male	Female	Male	Female
Current pensioners	20.2 years	23.1 years	20.6 years	23.2 years
Future pensioners (assumed to be currently 45)	21.1 years	24.7 years	21.4 years	24.8 years

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2025 model, with core parameterisation, initial adjustment of 0.25% and a long term rate of improvement of 1.5% per annum. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Commutation assumption

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2009 service and 75% of the maximum tax-free cash for post-April 2009 service.

LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

24 Non-current debtors

	LPF Parent 31 March 2025	LPF Group 31 March 2025	LPF Parent 31 March 2026	LPF Group 31 March 2026
	£000	£000	£000	£000
Contributions due - employers' cessation	9,060	9,060	8,135	8,135
	9,060	9,060	8,135	8,135

In accordance with the Funding Strategy Statement and in recognition of severe affordability constraints facing the charitable sector, "Funding Agreements" have been put in place to allow certain former employers to repay cessation valuation debt over longer terms (up to twenty years), to avoid potential default or insolvency.

The above debtors all relate to community admission bodies.

25 Debtors

	LPF Parent 31 March 2025	LPF Group 31 March 2025	LPF Parent 31 March 2026	LPF Group 31 March 2026
	£000	£000	£000	£000
Contributions due - employers	14,147	14,147	14,771	14,771
Contributions due - members	4,915	4,915	8,331	8,331
Benefits paid in advance or recoverable	-	-	-	-
Sundry debtors	219	1,071	615	1,650
Prepayments	500	533	498	603
LPFE & LPFI Limited Loan facility - see note 28	124	-	-	-
	19,905	20,666	24,215	25,355

26 Creditors

	LPF Parent 31 March 2025	LPF Group 31 March 2025	LPF Parent 31 March 2026	LPF Group 31 March 2026
	£000	£000	£000	£000
Benefits payable	8,817	8,817	9,753	9,753
VAT, PAYE and State Scheme premiums	5,238	6,001	4,552	5,486
Contributions in advance	13,200	13,200	-	-
Miscellaneous creditors and accrued expenses	1,225	2,246	1,654	2,212
Office - operating lease	477	477	477	477
Corporation tax losses utilised from CEC group	-	52	-	-
Intra group creditor - see note 29	1,478	-	1,024	-
	30,435	30,793	17,460	17,928

LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

27 Additional voluntary contributions

Active members of the Lothian Pension Fund have the option to pay additional voluntary contributions (AVCs). These AVCs are invested separately from the main funds, securing additional benefits on a money purchase basis for those members that have elected to contribute. The investment of the AVCs is managed by Standard Life and Prudential.

In accordance with regulation 4 (2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010, AVCs aren't included in the pension fund financial statements.

	2024/25	2025/26
Total contributions during year for Lothian Pension Fund	£000	£000
Standard Life	206	181
Prudential*	6,015	7,929
	6,221	8,110

	31 March 2025	31 March 2026
Total value at year end for Lothian Pension Fund	£000	£000
Standard Life	3,530	3,103
Prudential*	17,726	23,650
	21,256	26,753

*Prudential have provided unaudited data for 2025/26



LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

28 Related parties

The City of Edinburgh Council

The Lothian Pension Fund and the Scottish Homes Pension Fund are administered by the City of Edinburgh Council. Consequently, there's a strong relationship between the Council and the pension funds.

LPFE, which is a wholly owned subsidiary of the Council, is responsible for providing the staffing resource to administer the pension funds. The Fund has a service level agreement in place with the Council for certain support services. Costs directly attributable to a specific Fund are charged to the relevant Fund, costs that are common to the two Funds are allocated on a defined basis.

Transactions between the Council and the Fund are managed via a holding account. Each month the Fund is paid a cash sum leaving a working balance in the account to cover the month's pension payroll costs and other expected costs.

	31 March 2025	31 March 2026
	£000	£000
Year-end balance of holding account	5,787	653
	5,787	653

Part of the Fund's cash holdings are invested on the money markets by the treasury management operations of the Council, through a service level agreement. During the year to 31 March 2026, the fund had an average investment balance of £119.1m (2024/25 £122.3m). Interest earned was £4,941k (2024/25 £6,180k).

Year-end balance on treasury management account

	31 March 2025	31 March 2026
	£000	£000
Held for investment purposes	92,712	90,460
Held for other purposes	39,669	36,920
	132,381	127,380

Scheme employers

All scheme employers to the Fund are (by definition) related parties, a full list of employers can be found on page 116.

The employer contributions for the ten largest scheme employers are as follows:

	31 March 2025	31 March 2026
	£000	£000
City of Edinburgh Council	69,164	70,574
West Lothian Council	28,912	29,406
East Lothian Council	18,308	19,396
Midlothian Council	16,366	17,125
Scottish Water	11,830	13,241
Scottish Police Authority	7,832	7,882
Edinburgh Napier University	6,417	6,611
Heriot-Watt University	3,131	3,259
Audit Scotland	3,104	3,252
Edinburgh College	3,174	2,885

LPFE Limited is also an employer within the Fund. During the period £1,207k (2025 £1,090k) was paid to the Fund in employer pension contributions of which £0 was due at year end. Details of LPFE Limited's Retirement Benefit Assets and Liabilities within Lothian Pension Fund can be found in note 30.

LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

28 Related parties (cont)

Governance

As at 31 March 2026, all members of the Pensions Committee and the Pension Board were members of the Lothian Pension Fund, with the exception of Richard Lamont.

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

During the period from 1 April 2025 to the date of issuing of these accounts, a number of employees of the City of Edinburgh Council and its wholly owned subsidiary, LPFE Limited, held key positions in the financial management of the Lothian Pension Fund. Total compensation paid in relation to key management personnel employed by LPFE Limited during the period was as follows:

	31 March 2025	31 March 2026
	£000	£000
Short-term employee benefits	1,359	1,183
Post-employment benefits - employer pension contributions	141	124

Key management personnel employed by LPFE had accrued pensions totalling £58,000 (1 April 2025: £83,021) and lump sums totalling £0 (1 April 2025: £36,059) at the end of the period. Further details on senior management remuneration can be found within the remuneration report on page 165.



Remuneration of key management personnel employed by City of Edinburgh Council is disclosed separately in the Financial Statements of City of Edinburgh Council.

The Councillors, who are members of the Pensions Committee, are also remunerated by City of Edinburgh Council.

LPFE Limited & LPFI Limited – loan facility

LPFE & LPFI Limited are wholly owned by the City of Edinburgh Council as administering authority of Lothian Pension Fund and have entered into a shareholder agreement with the Council to address governance matters. The companies have a loan facility agreement with the City of Edinburgh Council for the purpose of the provision of short-term working capital. The agreement provides that interest is payable at 2% above the Royal Bank of Scotland base lending rate on the daily balance. In order to minimise the amount of interest payable, the companies return any cash not immediately required and this can result in short periods when the companies have returned more cash than has been drawn. On such days the loan interest

is negative, reducing the amount of interest payable.

Interest payable by LPFE Limited during the period was £950, none of which was due at the year end. No interest was payable for LPFI Limited. At 31 March 2026, there was a zero balance on the loan facilities for LPFE Limited and LPFI Limited.

LPFE Limited & LPFI Limited - services provided

LPFE provides staffing services to Lothian Pension Fund for the purposes of administering the Funds under a intra-group resourcing agreement. The agreement also provides for the running costs of the company to be covered as part of a service charge and allows for the provision of staffing services to LPFI Limited. During the year to 31 March 2026 the fund was invoiced £8,735k (2025 £8,027k) for the services of LPFE Limited staff of which £1,380k (2025 £1,746k) was due at year end.

LPFI provides FCA regulated services to Lothian Pension Fund namely the provision of advisory reports (via JIF) and the transmission of orders. It also provides access to third-party investment research. During the period these recharges amounted to £474k (2025 £491k) of which £197k (2025 £234k) was due at year end. Lothian Pension Fund also recharges administrative costs (such as system and office expenses) to LPFI which totaled £553k (2025 £502k) for the year, of which £553k (2025 £502k) was due at year end.

LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

29a Consolidated Lothian Pension Fund Group - LPFE Limited & LPFI Limited - deferred tax

Movement in deferred tax asset (Non-current asset)

	LPF Group 2024/25	LPF Group 2025/26
	£000	£000
Opening balance	-	-
Credit for year to Fund Account	-	-
Closing balance	-	-

Elements of closing deferred tax asset

	LPF Group 31 March 2025	LPF Group 31 March 2026
	£000	£000
Pension liability	-	-
	-	-

29b Shares in group companies - LPFE Limited & LPFI Limited

	31 March 2025	31 March 2026
	£	£
Allotted, called up and fully paid Ordinary shares of £1 each - LPFE Limited*	1	1
Allotted, called up and fully paid Ordinary shares of £1 each - LPFI Limited	1,690,378	1,690,378
	1,690,379	1,690,379

*One ordinary share of £1 was issued to Lothian Pension Fund at par value on incorporation. Due to the low value this does not show on the Net Assets Statement.



LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

30 Retirement benefits obligation - Group

The retirement benefit obligation described in this note relates only to the employees of LPFE. This is because obligation in respect of the staff employed by the City of Edinburgh Council is accounted for in the Financial Statements of the Council.

On 1 May 2015, LPFE commenced trading and its staff transferred their employment from the City of Edinburgh Council to the Company on that date. At that time, the Company also entered into appropriate admission arrangements with the City of Edinburgh Council with respect to the transferring individuals continuing to be members of the Lothian Pension Fund and in relation to its obligations as an employer in that Fund.

The present value of the defined benefit obligation and related current and past service cost were measured using the Projected Unit Credit Method.

Fund assets

LPFE's share of the fair value of the Fund's assets which are not intended to be realised in the short term and may be subject to significant change before they're realised, was comprised as follows:

		Fair value at 31 March 2025	% of total 31 March 2025	Fair value at 31 March 2026	% of total 31 March 2026
Asset		£000	%	£000	%
Equity securities:	Consumer	2,543	12.0	3,072	13.0
	Manufacturing	2,693	12.0	2,930	12.0
	Energy and utilities	1,070	5.0	1,248	5.0
	Financial institutions	1,229	6.0	1,469	6.0
	Health and care	1,307	6.0	1,648	7.0
	Information technology	803	4.0	856	4.0
	Other	1,440	7.0	1,558	6.0
Debt securities:	Corporate Bonds	-	0.0	735	3.0
	UK Government	3,707	17.0	4,549	19.0
	Other	347	2.0	-	0.0
Private equity:	All	3,696	17.0	51	0.0
Real property:	UK property	950	4.0	1,015	4.0
	Overseas property	131	1.0	116	0.0
Investment funds and unit trusts:	Equities	-	0.0	42	0.0
	Bonds	667	3.0	44	0.0
	Commodities	-	0.0	3,898	16.0
Derivatives:	Foreign Exchange	14	0.0	-	0.0
Cash and cash equivalents	All	913	4.0	1,129	5.0
		21,510	100.0	24,360	100.0

LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

30 Retirement benefits obligation - group (cont)

Amounts recognised in the Net Assets Statement	LPF Group 31 March 2025	LPF Group 31 March 2026
	£000	£000
Fair value of fund assets	21,510	24,360
Present value of fund liabilities	(14,900)	(16,562)
Asset Ceiling Adjustment for economic benefit calculation result	(6,610)	(7,798)
	-	-

The entity applies asset ceiling to any pension asset arising from the annual actuary valuation. If there's an asset remaining after the ceiling application, it might be recovered through future reduction in pension contribution or a refund or a combination of both. This is on the assumption that the right to the pension asset is unconditional as per the requirements of IFRIC14.

Movement in the defined benefit obligation during the period

	LPF Group 2024/25	LPF Group 2025/26
	£000	£000
Brought forward	16,200	14,900
Current service cost	1,213	916
Past service cost	-	105
Interest cost on obligation	822	904
Fund participants contributions	468	523
Benefits paid	(144)	(147)
Actuarial losses arising from changes in financial assumptions	(3,351)	(814)
Actuarial losses arising from changes in demographic assumptions	(167)	42
Other actuarial gains/(losses)	(141)	133
Balance at year end	14,900	16,562



LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

30 Retirement benefits obligation - group (cont)

Movement in the fair value of fund assets during the period

	LPF Group 2024/25	LPF Group 2025/26
	£000	£000
Brought forward	20,350	21,510
Benefits paid	(144)	(147)
Interest income on fund assets	1,020	1,293
Contributions by employer	1,093	1,212
Contributions by member	468	523
Other gains / (losses)	-	-
Return on assets excluding amounts included in net interest	(1,277)	(31)
Balance at year end	21,510	24,360

Amounts recognised in the Fund Account

	LPF Group 2024/25	LPF Group 2025/26
	£000	£000
Interest received on fund assets	(1,020)	(1,293)
Interest cost on fund liabilities	822	904
Current service costs	1,213	916
Past service costs	-	105
Employer contributions	(1,093)	(1,212)
Actuarial gain/(loss) due to re-measurement of defined benefit obligation	(3,659)	(639)
Return on fund assets (excluding interest above)	(1,277)	(31)
Net cost recognised in Fund Account	(5,014)	(1,250)

Principal actuarial assumptions used in this valuation

	31 March 2025	31 March 2026
	% p.a.	% p.a.
Inflation / pensions increase rate	2.8	3.0
Salary increase rate	3.5	3.7
Discount rate	5.8	6.3

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice. Best estimate has been interpreted to mean that the proposed assumptions are 'neutral' – there's an equal chance of actual experience being better or worse than the assumptions proposed.

The financial assumptions used for reporting in the financial statements are the responsibility of the employer. These assumptions are largely prescribed at any point and reflect market conditions at the reporting date. Changes in market conditions that result in changes in the net discount rate can have a significant effect on the value of the liabilities reported.

LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

30 Retirement benefits obligation - group (cont)

A reduction in the net discount rate will increase the assessed value of liabilities as a higher value is placed on benefits paid in the future. A rise in the net discount rate will have an opposite effect of a similar magnitude. There's also uncertainty around life expectancy of the UK population – the value of current and future pension benefits will depend on how long they're assumed to be in payment.

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2025 model, with core parameterisation, initial adjustment of 0.25% and a long-term rate of improvement of 1.5% p.a. for both males and females.

Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	31 March 2025		31 March 2026	
	Male	Female	Male	Female
Current pensioners	19.2 years	22.1 years	19.6 years	22.2 years
Future pensioners	23.3 years	25.1 years	23.7 years	25.2 years

Expected employer contributions to the defined benefit plan for the year ended 31 March 2027 are £1,299k, based on a pensionable payroll cost of £7,179k.

31 Contractual commitments

Investment commitments

The Fund has commitments relating to outstanding call payments due on unquoted funds held in the private equity, timber, property and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing, taking place over a number of years from the date of each original commitment. The outstanding commitments at the year end are as follows:

	31 March 2025	31 March 2026
	£000	£000
Outstanding investment commitment	193,530	169,552
	193,530	169,552

Office accommodation - 9 Haymarket Square, Edinburgh

The Fund is committed to making the following future payments.

	31 March 2025	31 March 2026
	£000	£000
Within one year	420	420
Between one and five years	1,259	1,259
After five years	1,682	1,262
	3,361	2,941

Recognised as an expense during the year	365	365
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Office accommodation - 144 Morrison Street, Edinburgh

The Fund is committed to making the following future payments.

	31 March 2025	31 March 2026
	£000	£000
Within one year	135	135
Between one and five years	355	220
After five years	-	-
	490	355

Recognised as an onerous lease during the year	468	356
Recognised as an onerous contract during the year - service charge & rates	465	338

LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

The lease for office accommodation at 144 Morrison Street was identified as onerous in 2024/25 with the opening of new office accommodation at 9 Haymarket Square. A sub-lease for 144 Morrison Street hasn't yet been agreed therefore a separate onerous lease provision was shown in the Net Assets Statement at 31 March 2025 for the remaining amounts payable for this accommodation.

32 Contingent assets and liabilities

Contribution refunds

At 31st March 2026, Lothian Pension Fund had £1,629k (2025: £1,516k) in unclaimed refunds due to members.

Employer cessations

As stated in note 23, "In accordance with the Funding Strategy Statement and in recognition of severe affordability constraints facing the charitable sector, "Funding Agreements" have been put in place with certain former employers to repay cessation valuation debt". In exceptional circumstances, this includes "repayment of less than the cessation debt in order to avoid employer insolvency, with an appropriate agreement which allows the Fund to revisit the repayment of the remaining debt at a future date (i.e. the debt would be a contingent liability and hence not recognised on an employer's balance sheet); and seeking, where appropriate, suitable "anti-embarrassment"

provisions in legal agreement covering future increase in employer asset values". At 31 March 2026, such contingent assets of the Fund totalled £3,902k and the fund has secured first ranking security over an employer property asset and second ranking security over a further two employer property assets.

EU Tax claims & income recovery

The Fund participates in various claims to recover withheld investment income. EU tax claims relate to the recovery of tax deducted from dividend payments prior to receipt or payable tax credits thereon. The Fund's remaining claims relate to "Fokus Bank". Given the high level of uncertainty as to the eventual success of such claims from EU tax authorities, no accrual of income is made in the financial statements. The value of these outstanding claims is approximately £4.4m. To date, the amount of tax recovered exceeds the cost of pursuing claims. Legal costs are shared across a pool of claimants and the Fund has the right to cease participation without incurring further costs. An annual progress report is provided to Pensions Audit Sub-Committee.

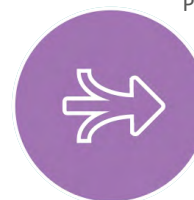
Variable pay arrangements

In 2018/19 LPFE introduced three variable pay schemes, two of which have vesting periods. The Portfolio Manager and

Senior Management schemes entitle staff to receive an assessed percentage of their salary as an additional variable pay award if they meet certain objectives during the year. The assessment year runs from 1 January to 31 December with the award then vesting over three years for Portfolio Managers and two years for Senior Management. The first part is payable at the end of the first year if the objectives are met and the remaining parts are payable in the following years if the requirement that the employee is still employed by the company at such time is met.

Payment one for the 2025/26 year, payment two for the 2024/25 year and payment three for the 2023/24 year were made in March 2026. A liability has been raised at 31 March 2026 for the two months of service for the second and third instalment of 2025/26 and third instalment of 2024/25 which the employees have delivered with regards to the second and third payments in the scheme.

In the event that all the staff involved in the arrangements at 31 December 2025 remain in the company's employment there's a contingent liability of £500,520 in excess of the current and non-current liabilities, as recognised in these financial statements in accordance with IAS19. This amount would be payable over two years.



LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

Historic Misrecognition of Pensionable Pay

In June 2026, the Fund was notified by two participating employers that certain elements of variable pay had historically been treated as non-pensionable when they should have been classified as pensionable pay under Regulation 20 of the Local Government Pension Scheme (Scotland) Regulations 2018. As a result, pensionable pay and associated employee and employer contributions were understated over a number of years.

The issue relates to specific variable pay arrangements and is not expected to affect the majority of participating employers, as most do not operate such arrangements. Under the LGPS framework, participating employers are responsible for determining pensionable pay and for providing complete and accurate payroll and contribution information to the Fund.

The Fund has recognised underpaid employee contributions to the extent that they can be measured reliably using validated payroll data provided by the affected employers. No corresponding debtor has been recognised in respect of historic employer contributions, as these amounts will be reflected through future actuarial valuations and are not expected to be recovered directly by the Fund.

For one employer, where the issue predates 2012, complete and reliable payroll records are unavailable. The employer has been unable to provide sufficient information to support the



calculation of the additional pensionable pay and associated contributions and, accordingly, no amount has been recognised in respect of these periods. Based on work undertaken to date, management does not expect the unrecognised amounts to be material to the Fund's financial statements.

The Fund continues to work with the affected employers

to correct member pension records. This may result in the recalculation of pension benefits, including arrears payments to some members. At the reporting date, the financial effect of any resulting benefit adjustments cannot be measured reliably and, accordingly, no provision has been recognised. The matter has therefore been disclosed as a contingent liability.

LOTHIAN PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

32 Contingent assets and liabilities (cont)

Rectification of age discrimination - McCloud and Sargeant judgements

When public service pension schemes were reformed following the Public Service Pensions Act 2013, protections for older scheme members were introduced. In December 2018, the Court of Appeal ruled that the transitional protections included in the Judges' ("McCloud") and Firefighters' ("Sargeant") pension schemes constituted unlawful age discrimination. Following this, in July 2019 a Written Ministerial Statement confirmed that the UK Government believed that the ruling applied to all the main public service pension schemes and that the discrimination would be addressed in all the relevant schemes, including Local Government Pension Scheme (LGPS) in Scotland.

Regulations to implement the remedy came into force on 1 October 2023. All pensioner recalculations have now been completed, and any existing pensions have been adjusted to the correct values.

We were required to include McCloud information on all benefit statements from 2025, or otherwise notify members if this wasn't possible. We were able to provide the required McCloud information on the benefit statements, with

the exception of a small group of members. All necessary communications have been issued.

The Fund's IAS26 reporting from its actuary, as disclosed in Note 22, takes into account the appeal decision and the proposed remedy.



Contingent Value Right (CVR)

Following the take-over and delisting of one of the Fund's holdings in Abiomed by Johnson & Johnson in 2022 the Fund received a cash payment and one CVR with the entitlement of up to \$35 per share if certain commercial and clinical milestones are achieved in the future. The CVR is unlisted and non-tradeable.

The CVR is held at a valuation of zero within the portfolio and the Fund would receive £166.7k if the milestones are achieved.

33 Impairment losses

	31 March 2025	31 March 2026
	£000	£000
Bad Debt provision	-	-



LOTHIAN PENSION FUND (“THE FUND”) ACTUARIAL STATEMENT FOR 2025/26

24 April 2026

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

Description of funding policy

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

- To ensure the long-term solvency of the overall fund
- To ensure the solvency of each individual employers’ share of the Fund based on their expected term of participation in the fund
- To maximise the returns from investments within reasonable and considered risk parameters, and hence minimise the cost to the employer
- To minimise the degree of short-term change in employer contribution rates
- To ensure that sufficient cash is available to meet all liabilities as they fall due for payment
- To help employers manage their pension liabilities
- Where practical and cost effective, to make allowance for the different characteristics of different employers and groups of employers.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 75% likelihood that the Fund will achieve the funding target over 20 years.

Funding position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 60 of the Local Government Pension Scheme (Scotland) Regulations 2018 was as at 31 March 2023. This valuation revealed that the Fund’s assets, which at 31 March 2023 were valued at £9,695 million, were sufficient to meet 157% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2023 valuation was £3,525 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers’ contributions for the period 1 April

2024 to 31 March 2027 were set in accordance with the Fund’s funding policy as set out in its FSS.

Principal actuarial assumptions and method used to value the liabilities

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

Method

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



LOTHIAN PENSION FUND (“THE FUND”) ACTUARIAL STATEMENT FOR 2025/26

Assumptions

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

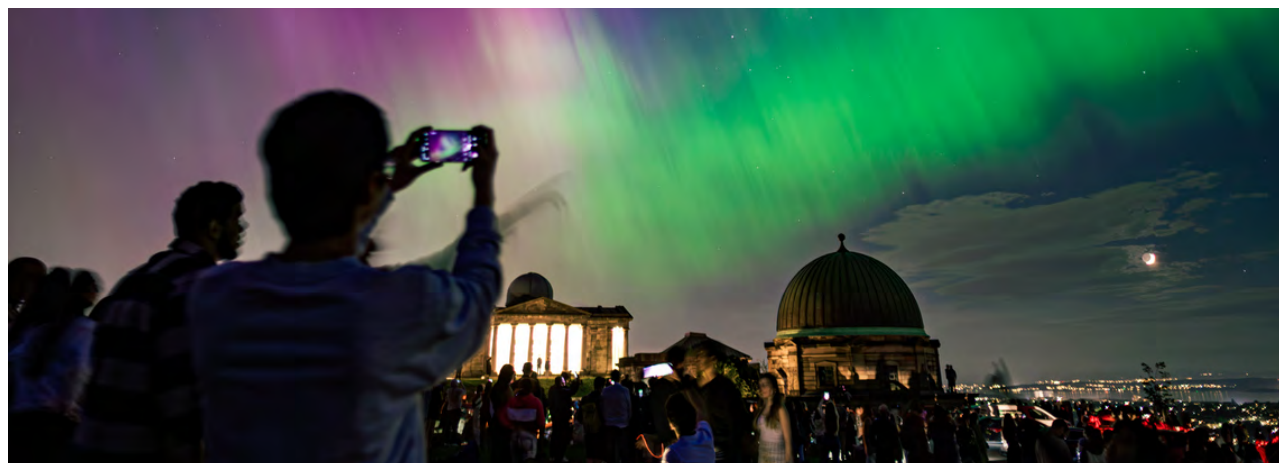
The key financial assumptions adopted for the 2023 valuation were as follows:

	31 March 2023
Financial assumptions	% p.a.
Discount rate	5.2%
Salary increase assumption	3.0%
Benefit increase assumption (CPI)	2.3%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2022 model, with a 25% weighting of 2022 data, a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Male	Female
Current Pensioners	20.3 years	23.1 years
Future Pensioners *	21.2 years	24.8 years

*Aged 45 at the 2019 Valuation.



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

Experience over the period since 31 March 2023

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2023, impacting on investment returns achieved by the Fund's assets. Asset performance improved in 2024 and early 2025; however increasing uncertainty in the geo-political environment (eg US tariffs, Middle East conflict) have caused significant short-term market volatility. Overall, the Fund's investment returns since March 2023 have been positive.

Despite ongoing higher levels of inflation in the UK (compared to recent experience) resulting in cumulative LGPS benefit increases of 12.6% since 2023 (6.7% in April 2024, 1.7% in 2025 and 3.8% in April 2026) and a slight increase in the Fund's liabilities, the funding position is likely to be stronger than at the previous formal valuation at 31 March 2023.

The next actuarial valuation will be carried out as at 31 March 2026, and will be finalised by 31 March 2027. The Funding Strategy Statement will also be reviewed at that time, and a revised version will come into effect from 1 April 2027.

Adrian Loughlin FFA C.Act

For and on behalf of Hymans Robertson LLP
24 April 2026

LOTHIAN PENSION FUND LIST OF ACTIVE EMPLOYERS AT 31 MARCH 2026

Scheduled Bodies	
City of Edinburgh Council (The)	Scottish Police Authority
East Lothian Council	Scottish Water
Edinburgh College	SESTRAN
Heriot-Watt University	VisitScotland
Lothian Valuation Joint Board	West Lothian College
Midlothian Council	West Lothian Council
Scotland’s Rural College (SRUC)	



LOTHIAN PENSION FUND LIST OF ACTIVE EMPLOYERS AT 31 MARCH 2026

Admitted Bodies	
Audit Scotland	Edinburgh Leisure
Baxter Storey	Edinburgh Napier University
BEAR Scotland	ELCAP
Bellrock Property and Facilities Management	Enjoy East Lothian
Capital City Partnership	First Step
CGI UK Ltd	Forth and Oban Ltd
Children's Hearing Scotland	Handicabs (Lothian) Ltd
Children's Hospice Association Scotland	Improvement Service (The)
Citadel Youth Centre	Lothian Buses
Convention of Scottish Local Authorities	LPFE Limited

Admitted Bodies	
Melville Housing Association	Skanska UK
Mitie PFI	Sodexo Ltd
Museums Galleries Scotland	St Andrew's Children's Society Limited
Newbattle Abbey College	University of Edinburgh (Edinburgh College of Art)
North Edinburgh Dementia Care	West Lothian Leisure
NSL Services Ltd	
Queen Margaret University	
Scottish Adoption Agency	
Scottish Futures Trust	
Scottish Schools Education Research Centre (SSERC)	

SCOTTISH HOMES PENSION FUND INVESTMENT STRATEGY

Investment strategy

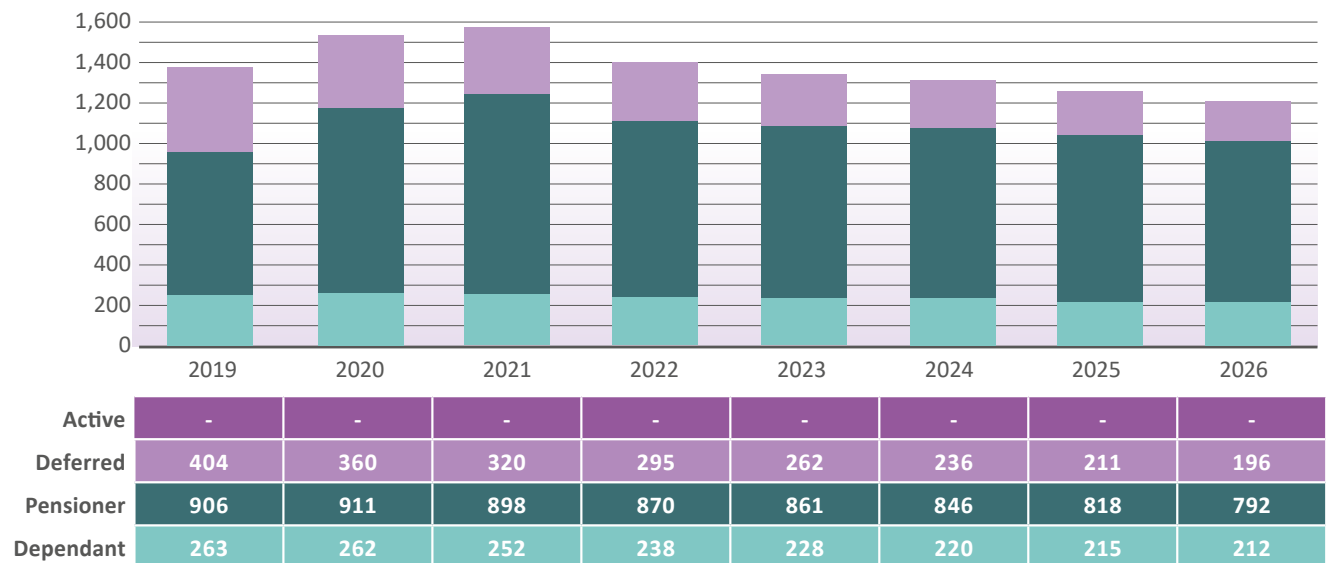
The Fund's last triennial actuarial valuation was dated 31 March 2023, at which point the actuary estimated Scottish Homes Pension Fund's funding level to be 127%. The Fund continues to have achieved its full funding objective ahead of the timeline originally agreed by the Scottish Government and the City of Edinburgh Council.

As the Fund is closed to new entrants and relatively mature, its objective is to minimise investment shortfall risk of assets relative to liabilities, in line with Scottish Government guidance. The Pensions Committee reaffirmed the following investment objective in June 2021: "To match the cash flow from gilt income and redemption payments as closely as possible with the expected liability payments of the Fund."

There was no change to the Fund's strategic allocation of 100% to bonds in the year to 31 March 2026, and the Fund invests solely in cash and bonds, specifically UK gilts, which move proportionately with liability values.

To ensure that invested assets are as closely matched with the liability profile as possible, the investment manager takes into consideration the expected duration of liabilities and whether they're fixed or inflation-linked in nature. The Fund's strategy is to match the cash flows of liabilities one year beyond the date of the next valuation and to match the duration of liabilities

SCOTTISH HOMES PENSION FUND MEMBERSHIP DATA



beyond that. This is because of the greater visibility of pension payments in the near term. The higher allocation to cash is due to the fully funded status of the Fund. As bonds redeem, the cash is reinvested in short-dated bonds, so that this has no impact on the duration matching with the liabilities.

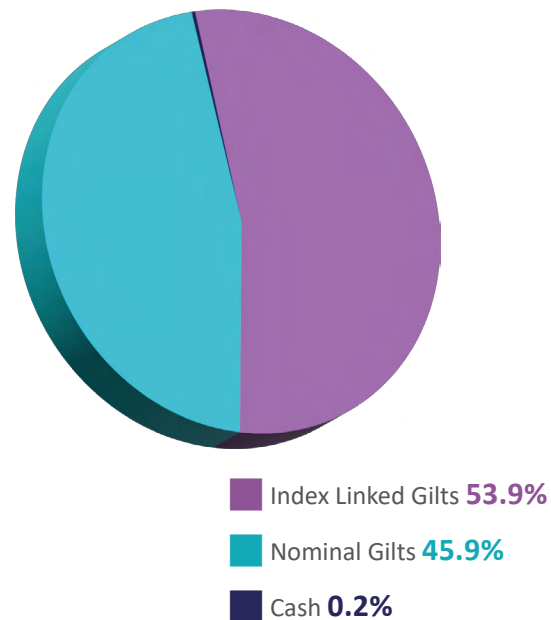
SCOTTISH HOMES PENSION FUND INVESTMENT STRATEGY

Over the longer term, funding levels are subject to the actuary's financial and demographic assumptions of future experience, which are re-examined every three years. At the last formal actuarial valuation at end March 2023, Hymans Robertson, the Fund's actuary, reported a funding level of 127%.

The portfolio holdings will continue to be monitored and if required, rebalanced, to ensure that the cash flow and duration match the expected liabilities.

The actual asset allocation of the Fund is shown in the pie chart here:

ACTUAL ASSET ALLOCATION 31 MARCH 2026



Investment movements

As the Scottish Homes Pension Fund is relatively mature, it uses the proceeds of gilt coupons and redemptions to pay pensions. Cash or cash equivalents are held to enable pensions to be paid between the dates when gilts redeem. Being fully funded, the Fund typically invests excess cash in short-dated bills and gilts. The cash balance at end March 2026 was equivalent to slightly more than seventeen months' pension payments.

The Fund's assets have declined over the year, from £111m to £109m, whilst paying out £6.8m for pensions over the year.

As gilts are generally held to maturity and matched with liability payments, short term fluctuations in asset values don't impact the overall strategy. Liability values rise and fall, as they did this year, with asset values.

SCOTTISH HOMES PENSION FUND: FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2026

Financial statements

This statement shows a summary of the income and expenditure that the Pension Fund has generated and consumed in delivering the Local Government Pension Scheme. Included is the income from investment dealings and as well as the cost of providing benefits and administration of the Fund.

2024/25			2025/26
£000		Note	£000
Income			
-	Contributions from the Scottish Government	3	-
-	Transfers from other schemes		-
-			-
Less: expenditure			
6,654	Pension payments including increases		6,428
262	Lump sum retirement payments		368
69	Lump sum death benefits		(12)
(35)	Administrative expenses	4a	-
6,950			6,784
(6,950)	Net withdrawals from dealing with members		(6,784)
Returns on investments			
1,811	Investment income	5	1,970
(2,918)	Change in market value of investments	6, 9b	2,350
(90)	Investment management expenses	4b	(91)
(1,197)	Net returns on investments		4,229
(8,147)	Net increase/(decrease) in the fund during the year		(2,555)
119,860	Net assets of the fund at 1 April 2025		111,713
111,713	Net assets of the fund at 31 March 2026	9	109,158

SCOTTISH HOMES PENSION FUND NET ASSETS STATEMENT AS AT 31 MARCH 2026

This statement provides a breakdown of the type and value of all net assets at the year-end.

31 March 2025		Note	31 March 2026
£000			£000
Investment Assets			
100,465	Bonds - UK		105,656
10,162	Cash Deposits		2,073
430	Other investment assets		485
111,057		9c	108,214
Investment Liabilities			
-	Other investment liabilities		-
-			-
111,057	Net investment assets	7	108,214
Current assets			
173	The City of Edinburgh Council	15	5
495	Cash balances	10,15	845
4	Debtors	13	95
672			945
Current liabilities			
(16)	Creditors	14	(1)
(16)			(1)
656	Net current assets		944
111,713	Net assets of the Fund	9	109,158

The unaudited accounts were issued on 24 June 2026 and the audited accounts were authorised for issue on 16 September 2026.

Jennifer O'Brien

Chief Financial Officer,

Lothian Pension Fund

16 September 2026

Note to the net asset statement

The financial statements summarise the transactions of the Fund during the year and its net assets at the year end. They don't take account of the obligations to pay pensions and benefits which fall due after the end of the year. The actuarial position of the Fund, which does take account of such obligations, is discussed in the Actuarial Valuation section of this report and these financial statements should be read in conjunction with that information. In addition, as required by IAS26, the Actuarial Present Value of Promised Retirement Benefits is disclosed in the notes to these financial statements.

SCOTTISH HOMES PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

1 Statement of accounting policies

The statement of accounting policies for all funds can be found on page 137.

2 Events after the reporting date

There have been no events since 31 March 2026, and up to the date when these Financial Statements were authorised, that require any adjustments to these Financial Statements.

3 Contributions from the Scottish Government

The Scottish Homes Pension Fund (SHPF) is an employer pension fund for former employees of Scottish Homes (subsequently Communities Scotland), Scottish Special Housing Association and Homeless Action Scotland (HAS) (formerly The Scottish Council for Single Homeless).

The City of Edinburgh Council was selected by the Scottish Executive to be the administering authority of a fund created prior to the wind up of the Scottish Homes Residuary Body and therefore became the administering authority of SHPF on 1 July 2005, pursuant to section 2(a)(1A) of The Local Government Pension Scheme (Scotland) Amendment (No. 2) Regulations 2005 (SSI 315/2005) (the 2005 Regulations). Former employees of HAS were transferred to SHPF on 11 July 2018 following receipt of Scottish Ministers approval on 31 March 2020.

SHPF is a mature, non-active fund, the Fund has no contributions paid into it by active members but consists only of deferred and pensioner members and therefore only pays money out to the pensioners.

Section 2 (1C) of the 2005 Regulations stipulates that:

"WHERE THE ACTUARY DETERMINES, AFTER HAVING REGARD TO THE EXISTING AND PROSPECTIVE LIABILITIES OF THE FUND, THAT ADDITIONAL FUNDING IS NECESSARY TO MAINTAIN THE SOLVENCY OF THE FUND (SHPF), THEN SCOTTISH MINISTERS WILL MAKE PAYMENTS TO THE ADMINISTERING AUTHORITY TO MAINTAIN THAT SOLVENCY."

In this way, the Scottish Government acts as the 'Guarantor' for SHPF's liabilities, as confirmed in the Funding Agreement, signed on behalf of the Scottish Executive and dated 6 July 2005.



As at the latest triennial actuarial valuation date of 31 March 2023, SHPF showed a funding surplus of £27m with a funding level of 127%, derived from a market valuation of assets of £126m and liabilities of £99m.

In accordance with the provisions of the Funding Agreement, the assets of SHPF are now invested entirely on a low risk basis. With a funding surplus, the Scottish Government isn't required to provide any contribution, but as Guarantor has the responsibility to pay towards the administration expenses of the Fund. This amount has been set at £90,000 per annum and will be reviewed ahead of the next triennial valuation as at 31 March 2026. Investment expenses are being met directly from the Fund's surplus.

SCOTTISH HOMES PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

4a Total management expenses

	2024/25	2025/26
	£000	£000
Administrative costs	(41)	-
Investment management expenses	38	42
Oversight and governance costs	57	49
	55	91

This analysis of costs for the Scottish Homes Pension Fund has been prepared in accordance with CIPFA guidance. The

analysis looks at the combined administration and investment management expenses and splits out the costs to include a third heading covering oversight and governance expenditure.

LPFE, which is a wholly owned subsidiary of the Council, is responsible for providing the staffing resource to administer the pension funds. Lothian Pension Fund (inclusive of Scottish Homes Pension Fund) has a service level agreement in place with the Council for certain support services. Costs directly attributable to a specific Fund are charged to the relevant Fund, costs that are common to the two Funds are allocated on a defined basis.

4b Investment management expenses

	2024/25	2025/26
	£000	£000
Employee costs	60	55
Custody fees	4	5
Engagement and voting fees	1	1
Consultancy fees	2	4
System costs	14	14
Audit fees	-	1
Office costs	4	4
Sundry costs less sundry income	5	7
	90	91

The Fund hasn't incurred any performance-related investment management fees in 2025/26 or 2024/25.

5 Investment income

	2024/25	2025/26
	£000	£000
Income from fixed interest securities	1,674	1,884
Interest on cash deposits and sundries	137	86
	1,811	1,970
Irrecoverable withholding tax	-	-
	1,811	1,970



SCOTTISH HOMES PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

6 Reconciliation of movement in investments

	Market value at 31 March 2025	Purchases at cost	Sales & proceeds	Change in market value	Market value at 31 March 2026
	£000	£000	£000	£000	£000
Bonds	100,465	28,258	(25,311)	2,244	105,656
	100,465	28,258	(25,311)	2,244	105,656

Other financial assets / (liabilities)

Cash deposits*	10,162			106	2,073
Investment income due/ amounts payable*	430			-	485
	10,592			106	2,558
Net financial assets	111,057			2,350	108,214

	Market value at 31 March 2024	Purchases at cost	Sales & proceeds	Change in market value	Market value at 31 March 2025
	£000	£000	£000	£000	£000
Bonds	108,016	13,849	(17,580)	(3,820)	100,465
	108,016	13,849	(17,580)	(3,820)	100,465

Other financial assets / (liabilities)

Cash deposits*	9,136			902	10,162
Investment income due/ amounts payable*	490			-	430
	9,626			902	10,592
Net financial assets	117,642			(2,918)	111,057

The change in the market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Any indirect costs incurred through the bid-offer spread on some pooled investment vehicles are reflected in the cost of investment acquisitions and in the proceeds from sales and are therefore included in the tables opposite.

* Per CIPFA disclosure guidance the change in market value intentionally does not balance opening/closing market values

SCOTTISH HOMES PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

7 Investment managers and mandates

Manager	Mandate	Market value at 31 March 2025	% of total 31 March 2025	Market value at 31 March 2026	% of total 31 March 2026
		£000	%	£000	%
In-house	Ex-Equity	12	0.01%	12	0.01%
Total ex-equities		12	0.01%	12	0.01%
In-house	UK Index Linked Gilts	110,898	99.86%	108,027	99.83%
Total fixed interest and inflation linked bonds		110,898	99.86%	108,027	99.83%
In-house	Cash	148	0.13%	174	0.16%
Total cash		148	0.13%	174	0.16%
Net financial assets		111,057	100%	108,214	100%

8 Investments representing more than 5% of the net assets of the Fund

	Market value at 31 March 2025	% of total 31 March 2025	Market value at 31 March 2026	% of total 31 March 2026
	£000	%	£000	%
UK Gov 1.5% 22/07/2026	-	-	24,916	22.8%
UK Gov 1.25% Index Linked 22/11/27	9,440	8.6%	9,831	9.0%
UK Gov 4.125% Index Linked 22/07/30	8,244	7.6%	8,397	7.7%
UK Gov 4.25% 07/06/32	6,800	6.2%	6,755	6.2%
UK Gov 1.25% Index Linked 22/11/27	-	-	5,515	5.1%
UK Gov 2% 07/09/2025	20,123	18.4%	-	-
UK Gov 0% T-BILL 04/08/2025	6,894	6.3%	-	-

SCOTTISH HOMES PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

9 Financial instruments

9a Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the fair value amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

All financial instruments are marked to market (at fair value) in the Fund's accounting records hence there's no difference between the carrying value and fair value.

	31 March 2025			31 March 2026		
	Designated as fair value through Fund Account	Loans and receivables	Financial liabilities at amortised cost	Designated as fair value through Fund Account	Loans and receivables	Financial liabilities at amortised cost
Financial assets						
Investment assets	£000	£000	£000	£000	£000	£000
Bonds	100,465	-	-	105,656	-	-
Cash	-	10,162	-	-	2,073	-
Other balances	-	430	-	-	485	-
	100,465	10,592	-	105,656	2,558	-
Other assets						
City of Edinburgh Council	-	173	-	-	5	-
Cash	-	495	-	-	845	-
Debtors	-	4	-	-	95	-
	-	672	-	-	945	-
Assets total	100,465	11,264	-	105,656	3,503	-
Financial liabilities						
Other liabilities						
Creditors	-	-	(15)	-	-	(1)
Liabilities total	-	-	(15)	-	-	(1)
Total net assets	100,465	11,264	(15)	105,656	3,503	(1)
Total net financial instruments			111,713			109,158

SCOTTISH HOMES PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

9b Net gains and losses on financial instruments

	2024/25	2025/26
	£000	£000
Designated as fair value through fund account	(3,820)	2,244
Loans and receivables	902	106
Financial liabilities at amortised cost	-	-
Total	(2,918)	2,350

9c Valuation of 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 values.

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 or liabilities. Products classified as level 1 include quoted equities and unit trusts.

Quoted 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 isn't considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs 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 isn't based on observable market data. Such instruments would include unquoted equity investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investments in unquoted private equity, infrastructure, timber and real estate are based on valuations provided by the general partners to the funds in which the Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines or similar guidelines provided by UK Private Capital, which follow the valuation principles of International

Financial Reporting Standards (IFRS). The valuations are typically undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March 2026 as appropriate.



SCOTTISH HOMES PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

	31 March 2026			
	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Investment assets				
Bonds	105,656			105,656
Cash deposits	2,073	-	-	2,073
Investment income due/amounts payable	485	-	-	485
Total financial assets	108,214	-	-	108,214
Investment liabilities				
Payable for investment purchases	-	-	-	-
Total investment liabilities	-	-	-	-
Net investment assets	108,214	-	-	108,214

	31 March 2025			
	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Investment assets				
Bonds	100,465			100,465
Cash deposits	10,162	-	-	10,162
Investment income due/amounts payable	430	-	-	430
Total financial assets	111,057	-	-	111,057
Investment liabilities				
Payable for investment purchases	-	-	-	-
Total investment liabilities	-	-	-	-
Net investment assets	111,057	-	-	111,057

10 Nature and extent of risk arising from financial instruments Risk and risk management

The Fund's primary aim is to ensure that all members and their dependents receive their benefits when they become payable. As directed by Scottish Government, with the 31 March 2023 actuarial valuation showing a funding level of 127%, the Fund is invested entirely in low risk assets. In addition, the Fund ensures that sufficient cash is available to meet all liabilities when they fall due.

Responsibility for the Fund's overall investment strategy rests with the Pensions Committee. The Joint Investment Forum and the internal investment team monitor investment risks on a

regular basis. Investment risk management tools are used to identify and analyse risks faced by the Fund's investments.

Types of investment risk

There are various ways of considering investment risks for pension funds. For the purposes of this note, market risk is the potential for an investor to experience losses from falls in the prices of investments. All financial instruments, including cash deposits, present a risk of loss of capital and risks vary depending on different asset classes.

Market risk also changes over time as economic conditions and investor sentiment change. The market risk of the Scottish

Homes Pension Fund has to some extent been mitigated, as the Fund holds only gilts and cash. Most of the reduction in market risk is relative to the liabilities, and not outright. The Fund's assets have been matched to its liabilities as at the 31 March 2020 triennial valuation so that interest rate risk has been minimised and as all assets held are valued in pound Sterling, no exchange risk occurs. A review of the asset matching of the Fund takes place following the publication of each triennial valuation, which is typically a year after the valuation point. Following the results of the 31 March 2023 triennial valuation, the portfolio was reviewed and it was determined that no rebalancing exercise was required for the year 2025/26.

SCOTTISH HOMES PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

Sensitivity analysis

Asset prices have a tendency to fluctuate. The degree of such fluctuation is known as “volatility” and it differs by asset class. The table sets out the long-term volatility assumptions used by the Fund’s investment adviser Isio:

Asset type	Potential price movement (+ or -)
Index-Linked Gilts	12.3%
Fixed Interest Gilts	13.6%
Cash	2.0%

Volatility is the standard deviation of annual returns. Broadly speaking, in two years out of three, the asset’s change in value (which could be a gain or a loss) is expected to be lower than the volatility figure, but in one year out of three, the change in value is expected to be higher than the volatility figure.

Asset classes don’t always move in line with each other. The extent to which assets move together is known as their “correlation”. A lower correlation means that there’s less risk of assets losing value at the same time. The overall fund benefits from “diversification” because it invests in numerous different asset classes, which don’t all move in line with each other. Consequently, the aggregate risk at the Fund level is less than the total risk from all the individual assets in which the Fund invests.

The following table shows the risks at the asset class level and the overall fund level.

	Value at 31 March 2026	% of fund	Potential Change +/-	Value on increase	Value on decrease
	£m	%	%	£m	£m
Index-Linked Gilts	57.3	53.0	12.3%	64.4	50.3
Fixed Interest Gilts	48.8	45.1	13.6%	55.4	42.2
Cash	2.1	1.9	2.0%	2.1	2.0
Total [1]	108.2	100.0	12.7%	121.9	94.5
Total [2]			11.6%	120.7	95.7
Total [3]			0.5%	108.7	n/a

[1] No allowance for correlations between assets

[2] Including allowance for correlations between assets

[3] Including allowance for correlation between assets and liabilities.

The value on increase/decrease columns illustrate the monetary effect of the percentage change in the volatility column. The actual annual change in value is expected to be lower than this in two years out of three, but higher in one year out of three.

It can be seen that the risk to the overall fund assets [2] is lower than the total of the risks to the individual assets [1].

However, because the purpose of a pension scheme is to make

payments to scheme beneficiaries, the true risk of a pension scheme isn’t measured in absolute terms, but relative to its liabilities [3]. The risk is lower than the absolute asset risk, due to the impact of correlation with the discount rate used to value the liabilities.

This risk analysis incorporates volatility from market, interest rate, foreign exchange, credit, and all other sources of risk, and, importantly, makes allowance for how these risks may offset each other.



SCOTTISH HOMES PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

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 risk in their pricing and consequently the risk of loss is implicitly provided for in the value of the Fund's assets and liabilities (as outlined in Market Risk above).

In essence, the Fund's entire investment portfolio is exposed to some sort of credit risk. However, through the selection of counterparties, brokers and financial institutions the Fund reduces the credit risk that may occur through the failure to settle a transaction in a timely manner.

Cash deposits are the major areas of credit exposure where credit risk isn't reflected in market prices.

Cash deposits

At 31 March 2026, cash deposits represented £2.1m, 1.9% (2025: £10.2m, 9.2%) of total net assets. This was held with the following institutions:

	Moody's Credit Rating at 31 March 2026	Balances at 31 March 2025	Balances at 31 March 2026
Held for investment purposes		£000	£000
Northern Trust Company - cash deposits	A2	3,268	2,073
UK Short-Term Bills and Notes	Aa3	6,894	
		10,162	2,073
Held for other purposes			
The City of Edinburgh Council - treasury management	See below	495	845
Total cash		10,657	2,918

The portion of Sterling cash deposits of the Fund are managed along with those of the administering authority (the City of Edinburgh Council) and other related organisations which are pooled for investment purposes as a treasury cash fund. Management of the cash fund is on a low risk basis, with security of the investments the key consideration.

The Council has in place institutional restrictions on investments and counterparty criteria.

These include:

- (a) UK Government and other UK local Authorities with no limit, other public bodies up to £20 million per organisation
- (b) Money market funds (MMFs) no more than £30 million or 15% with any one fund
- (c) Financial Institutions: Banks and Building Societies with multiple criteria based on a range of short and long term credit ratings, as well as any security provided, from maximum of £60 million / 20% of assets under management (AUM) for institutions with the highest criteria to £10 million / 5% of AUM for institutions with the lowest acceptable criteria.

SCOTTISH HOMES PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

	Moody's Credit Rating at 31 March 2026	Balances at 31 March 2025	Balances at 31 March 2026
Money market funds	£000	£000	£000
Deutsche Bank AG, London	Aaa-mf	77	127
Goldman Sachs	Aaa-mf	-	4
Aberdeen Standard Sterling Liquidity Fund	Aaa-mf	77	127
Bank call accounts			
Royal Bank of Scotland	A1	10	8
UK Government			
Gilts & T-Bills and UK Government Debt	Aa3	19	-
UK Pseudo-Sovereign risk instruments			
Other Local Authorities [1]	Aa3	312	578
		495	845

[1] Very few Local Authorities have their own credit rating but they're generally assumed to have a pseudo-sovereign credit rating (which in the UK at 31 March 2026 was 'Aa3').

No breaches of the Council's counterparty criteria occurred during the reporting period and the Fund doesn't expect any losses from non-performance by any of its counterparties in relation to deposits.

Refinancing risk

Refinancing risk is the risk that the Fund will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavorable interest rates. The Fund isn't bound by any obligation to replenish its investments and hence isn't exposed to refinancing risk.

Liquidity risk

Liquidity risk reflects the risk that the Fund won't be able to meet its financial obligations as they fall due. The Fund therefore ensures that there's adequate cash and liquid resources to meet its commitments. Cash flow projections are prepared on a regular basis to understand and manage the timing of the Fund's cash flows.

All of the Fund's investments could be converted to cash within three months in a normal trading environment.

11 Actuarial statement

The Actuary has provided a statement describing the funding arrangements of the Fund. This can be found at the end of this section.



SCOTTISH HOMES PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

12 Actuarial present value of promised retirement benefits

The actuarial value of promised retirement benefits at the accounting date, calculated in line with International Accounting Standard 19 (IAS19) assumptions, is estimated to be £84m (2025: £87m). This figure is used for statutory accounting purposes by Scottish Homes Pension Fund and complies with the requirements of IAS26. The assumptions underlying the figure match those adopted for the Administering Authority's IAS19 reports at each year end.

The figure is only prepared for the purposes of IAS26 and has no validity in other circumstances. In particular, it isn't relevant for calculations undertaken for funding purposes and setting contributions payable to the Fund.

	31 March 2025	31 March 2026
	% p.a.	% p.a.
Inflation/pensions increase rate	2.80	3.00
Discount rate	5.80	6.20

Longevity assumptions

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

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2025 model, with core parameterisation, initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	31 March 2025		31 March 2026	
	Male	Female	Male	Female
Current pensioners	20.1 years	22.9 years	20.5 years	23.1 years
Future pensioners (assumed to be currently 45)	20.6 years	24.9 years	20.9 years	25.0 years

Commutation assumption

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2009 service and 75% of the maximum tax-free cash for post-April 2009 service.

13 Debtors

	31 March 2025	31 March 2026
	£000	£000
Sundry debtors	4	95
	4	95

14 Creditors

	31 March 2025	31 March 2026
	£000	£000
Benefits payable	15	-
Miscellaneous creditors and accrued expenses	1	1
	16	1

SCOTTISH HOMES PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

15 Related party transactions

The City of Edinburgh Council

The Lothian Pension Fund and the Scottish Homes Pension Fund are administered by the City of Edinburgh Council. Consequently there's a strong relationship between the Council and the pension funds.

LPFE, which is a wholly owned subsidiary of the Council, is responsible for providing the staffing resource to administer the pension funds. Lothian Pension Fund (inclusive of Scottish Homes Pension Fund) has a service level agreement in place with the Council for certain support services. Costs directly attributable to a specific fund are charged to the relevant fund, costs that are common to the two funds are allocated on a defined basis.

Transactions between the Council and the Fund are managed via a holding account. Each month the Fund is paid a cash sum, leaving a working balance in the account to cover the month's pension payroll costs and other expected costs.

Part of the Fund's cash holdings are invested on the money markets by the treasury management operations of the Council, through a service level agreement. During the year to 31 March 2026, the Fund had an average investment balance of £1.4m (2025 £1.4m). Interest earned was £57k (2025 £80k).

	31 March 2025	31 March 2026
Year end balance on treasury management account	£000	£000
Held for investment purposes	-	-
Held for other purposes	495	845
	495	845

Fund guarantor

The Fund Guarantor (by definition) is a related party to the scheme. The Scottish Government's contributions to the Fund can be found in note 3 (page 122) of the notes to the Financial Statements.

LPFE Limited - staffing services

Staffing services are provided to Lothian Pension Fund and Scottish Homes Pension Fund for the purposes of administering the Funds under an intra-group resourcing agreement. The agreement also provides for the running costs of the company to be covered as part of a service charge and allows for the

provision of staffing services to LPFI Limited. Lothian Pension Fund is invoiced for these services and Scottish Homes Pension Fund is then allocated a percentage recharge on a defined basis. During the year to 31 March 2026, the Fund was recharged £55k (2025 £60k) for the services of LPFE Limited staff.

Governance

As at 31 March 2026, all members of the Pensions Committee and the Pension Board were members of the Lothian Pension Fund, with the exception of Richard Lamont.

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

SCOTTISH HOMES PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

During the period from 1 April 2025 to the date of issuing of these accounts, Lothian Pension Fund was charged by City Of Edinburgh Councils via its service level agreement for time spent by its Executive Management team on pension fund issues. Scottish Homes Pension Fund is then recharged for these services on a defined basis. All other staff that held key positions in the financial management of Lothian Pension Fund and Scottish Homes Pension Fund were employed by LPFE Limited. Total compensation paid in relation to key management personnel employed by LPFE Limited during the period was as follows:

	31 March 2025	31 March 2026
	£000	£000
Short-term employee benefits	1,359	1,183
Post-employment benefits - employer pension contributions	141	124

Key management personnel employed by LPFE had accrued pensions totalling £58,000 (1 April 2025: £83,021) and lump sums totalling £0 (1 April 2025: £36,059) at the end of the period. Further details on senior management remuneration can be found within the remuneration report on page 160.

Remuneration of key management personnel employed by City of Edinburgh Council is disclosed separately in the Financial Statements of City of Edinburgh Council.

Staff are either employed by City of Edinburgh Council or LPFE Limited, and their costs reimbursed by the Pension Funds. The Councilors, who are members of the Pensions Committee, are also remunerated by City of Edinburgh Council.

16 Contingent assets/liabilities

The Fund had no Contingent assets/liabilities as at the year end.

17 Contractual commitments

The Fund had no contractual commitments as at the year end.

18 Impairment losses

No impairment losses have been identified during the year.



SCOTTISH HOMES PENSION FUND ("THE FUND") ACTUARIAL STATEMENT FOR 2025/26

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

Description of funding policy

The Administering Authority's Funding Strategy Statement (FSS), dated March 2024, states that a bespoke funding strategy has been adopted for the Fund.

The strategy aims for the Fund to be 100% solvent by 2044 using a discount rate based on government bonds. It includes target funding levels at each actuarial valuation. Contributions from the Scottish Government are determined by reference to the target funding levels. The deficit recovery period is 8 years.

As the Fund is closed to accrual and the liabilities will mature over the time, the investment strategy is designed to reflect the expressed requirements of the Scottish Government, namely low risk, with investments now exclusively bonds.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 60 of the Local Government Pension Scheme (Scotland) Regulations 2018 was as at 31 March 2023. This

valuation revealed that the Fund's assets, which at 31 March 2023 were valued at £126 million, were sufficient to meet 127% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2023 valuation was £27 million.



The Guarantor's contributions for the period 1 April 2024 to 31 March 2027 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal actuarial assumptions and method used to value the liabilities

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

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date.

Assumptions

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

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

Financial assumptions	31 March 2023
Discount Rate	Bank of England nominal yield curve
Benefit increase assumption (CPI)	Bank of England implied inflation (RPI) curve less 1% p.a. before 2030 and 0.1% p.a. thereafter*

* The change in RPI-CPI gap assumption is to reflect changes to RPI from 2030, when it will be redefined to match CPIH. CPIH inflation is historically very similar to CPI inflation hence the gap of only 0.1% pa after that point.

SCOTTISH HOMES PENSION FUND ("THE FUND") ACTUARIAL STATEMENT FOR 2025/26

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2022 model, with a 25% weighting of 2022 data, a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Male	Female
Current Pensioners	20.2 years	23.0 years
Future Pensioners *	20.7 years	24.9 years

**Aged 45 at the 2019 Valuation.*

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

Experience over the period since 31 March 2023

Since the last formal valuation, real bond yields have risen, reducing the value of the liabilities and the assets held by the Fund. As a result, the funding level of the Fund as at 31 March 2026 is likely to be fairly similar to that reported at the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2026 and will be finalised by 31 March 2027. The Funding Strategy Statement will also be reviewed at that time, and a revised version will come into effect from 1 April 2027.

Adrian Loughlin FFA C.Act

For and on behalf of Hymans Robertson LLP
24 April 2026



ACCOUNTING POLICIES AND GENERAL NOTES

1. Basis of preparation

The Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The Financial Statements summarise the transactions of the funds for the 2025/26 financial year and report on the net assets available to pay pension benefits as at 31 March 2026.

The Financial Statements don't take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

The actuarial present values of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, are disclosed in the Notes to the Financial Statements.

The Financial Statements are prepared on the going concern basis, which provides that the funds will continue in operational existence for the foreseeable future. The basis is on the grounds that there's sufficient funding available to the funds to support the anticipated continuation of the provision of services.

2. Summary of significant accounting policies

General

a) Basis of consolidation – Group accounts

Commencing with the year ended 31 March 2016, Consolidated Financial Statements have been prepared for Lothian Pension Fund. The Financial Statements of Scottish Homes Pension Fund continue to be prepared on a single entity basis.

The Consolidated Financial Statements for Lothian Pension Fund are prepared by combining the Financial Statements of the fund (the parent entity) and its controlled entities (LPFE Limited and LPFI Limited) as defined in accounting standard IAS27 – Consolidated and Separate Financial Statements. Consistent accounting policies are employed in the preparation and presentation of the Consolidated Financial Statements. All inter-entity balances and transactions between entities, including any unrealised profits or losses, have been eliminated on consolidation.

Further details of the consolidation are provided in the Notes to the Financial Statements of Lothian Pension Fund.

LPFE Limited (LPFE) and LPFI Limited (LPFI) are wholly owned by the City of Edinburgh Council in its capacity as administering authority for the Local Government Pension Scheme in the Lothian area.

The purpose of LPFE is to provide staff services in respect of management of the fund. LPFI's purpose is to provide FCA regulated services to LPF and other Local Government Pension Scheme funds. It's considered appropriate to consolidate the Financial Statements of the two companies with those of Lothian Pension Fund.

Fund Account – revenue recognition

b) Contribution income

Normal contributions, both from the members and from employers, are accounted for on an accruals basis at the rate certified by the Scheme Actuary in the payroll period to which they relate.

Similarly, employer deficit funding contributions are accounted for on the due date on which they're payable as certified by the Scheme Actuary.

Employers' pensions strain contributions are accounted for in the period in which the liability arises. Any amounts due but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

c) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who've either joined or left the fund during the financial year and are calculated in accordance

ACCOUNTING POLICIES AND GENERAL NOTES

with the Local Government Pension Scheme Regulations.

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

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

d) Investment income

i) Interest 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. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) Dividend income

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.

iii) Distributions from pooled funds

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.

iv) Income from unquoted private equity and infrastructure investments

Income from the above sources is recognised when a distribution notice is issued by the Manager. Distributions are split into capital and income elements, with the latter being included under investment income in the Fund Account.

v) Property related income

Rental income, excluding VAT, arising from operating leases (including those containing stepped and fixed rent increases) is accounted for in the Fund Account on a straight line basis over the lease term. Lease premiums paid and rent-free periods granted, are recognised as assets and are amortised over the non-cancellable lease term.

IFRS 15 requires the fund to determine whether it's a principal or an agent when goods or services are transferred to a customer. An entity is a principal if the entity controls the

promised good or service before the entity transfers the goods or services to a customer.

An entity is an agent if the entity's performance obligation is to arrange for the provision of goods and services by another party. Any leases entered into between the fund and a tenant require the fund to provide ancillary services to the tenant such as maintenance works etc. therefore these service charge obligations belong to the fund. However, to meet this obligation the fund has appointed a property management agent, Jones Lang Lasalle Inc "JLL" and directs it to fulfil the obligation on its behalf. The contract between the fund

and the managing agent creates both a right to services and the ability to direct those services. This is a clear indication that the fund operates as a principal and the managing agent operates as an agent. Therefore, it's necessary to recognise the gross service charge revenue and expenditure billed to tenants as opposed to recognising the net amount.

Interest income is accounted on an accruals basis and included in operating profit.

vi) Movement in the net market value of investments

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.



ACCOUNTING POLICIES AND GENERAL NOTES

Fund Account – expense items

e) 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.

f) Taxation

i) Pension funds

The Local Government Pension Scheme 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.

ii) Controlled entities – LPFE and LPFI

The Companies are mutual traders and are therefore not liable to corporation tax on any surpluses generated from services provided in respect of the fund. The tax charges for the period are based on any profit for the period from non-mutual trade, adjusted for any non-assessable or disallowed items. They're calculated using tax rates that have been enacted or are substantively enacted by the period end date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. No deferred tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there's no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets are recognised to the extent that it's probable that future profits will be available against which deductible temporary differences can be utilised.

The amount of benefit brought to account, or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.



ACCOUNTING POLICIES AND GENERAL NOTES

g) Administrative expenses

All administrative expenses are accounted for on an accruals basis. Lothian Pension Fund is responsible for the administration of the two funds. The costs include charges from LPFE and LPFI for services rendered. LPF receives an allocation of the overheads of the Council based on the amount of central services consumed. In turn, these costs are allocated to the two funds.

Costs directly attributable to a specific fund are charged to the relevant fund. Investment management costs that are common to all funds are allocated in proportion to the value of each fund as at the end of the year. Other administration costs are allocated in proportion to the number of members in each of the funds at the end of the year.

h) Investment management expenses

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

Fees of the external investment managers and the 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.

For some investment managers, an element of their fee

is performance related. The amount of any performance related fees paid is disclosed in the note to the accounts on investment management expenses provided for each fund.

The cost of administering the Local Government Pension Scheme in the UK has come under increasing scrutiny in recent years. As a result, it has been decided to recognise investment management costs that are deducted from the value of an investment and recognised this as a cost in the Fund Account rather than as a reduction in the change in market value of investments. Investment transaction costs that are added to an investment purchase price or deducted from the proceeds of a sale are also recognised as a cost in the Fund Account rather than as a reduction in the change in market value of investments.

In June 2016, CIPFA revised and updated its guidance "Accounting for Local Government Pension Scheme Management Costs". Whilst the underlying principle of transparency of investment costs remains unchanged, there's been a degree of relaxation to full cost disclosure. Specifically, for complex 'fund of funds' structures, the new guidance states that "Investment costs incurred by a separate legal entity, or in respect of investment decisions over which the pension fund has no control, should not be included in the (Pension) Fund Account . . . If pension funds wish to provide information about the total cost of 'fund

of fund' investments, this should be included as part of the Investments section in the Annual Report."

The impact of this is that investment management costs deducted from any underlying fund in a 'fund of funds' investment wouldn't be included in the costs disclosed in the Fund Account. As this would significantly under-report investment management costs, it has been decided not to adopt this element of the CIPFA guidance. However, this type of cost is separately identified as "external management fees – deducted from capital (indirect)" in the notes on investment management expenses.

Any indirect costs incurred through the bid-offer spread on some pooled investment vehicles aren't treated as an expense. Such costs are accounted for as part of the acquisition costs or sale proceeds.

The cost of obtaining investment advice from external consultants is included in investment management charges.

The costs of the in-house investment management team are charged to the fund. The basis of allocation is as described in section g.

Securities lending revenue is reported gross and their fees are disclosed in investment management expenses.



ACCOUNTING POLICIES AND GENERAL NOTES

i) Operating lease

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease. In accordance with IFRS 16, lease incentives are recognised as a reduction in the lease expense over the term of the lease on a straight-line basis.

Net Assets Statement

j) Financial assets

Financial assets are included in the Net Assets Statement on a fair value basis as 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 asset are recognised by the fund.

The values of investments as shown in the Net Assets Statement have been determined at 'fair value' in accordance with the fund's Investment Valuation Policy. The Policy is designed to provide a framework for LPF's investment valuation process and reviewed by the Investment Valuation Group.

The fund's Investment Valuation Group supports the Chief Financial Officer of the fund with the application of

appropriate valuation standards against the investment assets held by the fund. The Group reviews the valuation process for all investments on an annual basis, including the application of appropriate valuation standards, based on the input of LPF's Investment Management team. Group members consist of the fund's Portfolio Managers, Finance Managers, and Risk Managers.

For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

The basis of the valuation of each class of investment assets is set out on the next page. There has been no change 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.



ACCOUNTING POLICIES AND GENERAL NOTES

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivity affecting the valuations provided
Market quoted investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Future derivative contracts	Level 1	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.	Not required	Not required
Forward foreign exchange derivatives	Level 1	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.	Not required	Not required
Government bonds – fixed interest / index linked	Level 1	Recorded at net market value based on their current yields.	Evaluated price feeds	Not required
Non exchange traded pooled investments	Level 2	Closing bid price where bid and offer price are published. Closing single price where single price published.	NAV – based pricing set on a forward pricing basis	Not required
Freehold and leasehold properties	Level 3	Valued at fair value at the year-end using the investment method of valuation by CBRE Ltd in accordance with RICS Red Book Global Valuation Standards (introduced with effect from 31 January 2022).	Existing lease terms and rentals. Independent market research.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices.
Unquoted Pooled investments – Private Equity, Infrastructure, Timber, Private Secured Loans & Property	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Guidelines and the IPEV Board's Special Valuation Guidance (March 2020).	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 Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.

We're proud of our awards and accreditations



Financial Reporting Council (FRC): UK Stewardship Code 2026

We've, once again, retained the Financial Reporting Council's Stewardship Code accreditation following the publication of our updated [Stewardship Report](#). The UK Stewardship Code 2026 (the Code) establishes the core Principles of effective stewardship and sets a high standard of transparency for asset owners and asset managers, and for the service providers that support them.

The Code is voluntary and being a signatory to the Code demonstrates an investor's commitment to stewardship and providing transparent reporting on the stewardship they undertake on behalf of their clients and beneficiaries.



ACCOUNTING POLICIES AND GENERAL NOTES

Sensitivity of assets valued at level 3

Analysing current market trends and historic data, and from consultations with independent investment advisers, the fund has determined that the valuation methods described above are appropriate and accurate to within the following margin of error, as set out opposite with the consequent potential impact on the closing value of investments held at 31 March 2026.

Scottish Homes Pension Fund has no assets valued at Level 3.

k) Foreign currency transactions and balances

Foreign currency transactions such as: dividends and interest payments, as well as purchases and sales of investments, have been accounted for at the spot market rates as at the date of the transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and any purchases and sales outstanding at the end of the reporting period.

l) Cash and cash equivalents

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.

m) Financial liabilities

The fund recognise 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.

Lothian Pension Fund	Assessed Valuation range (+ or -)	Value at 31 March 2025	Value on increase	Value on decrease
Unquoted		£m	£m	£m
Private Equity	24.0%	8	10	6
Infrastructure	12.0%	1,731	1,939	1,524
Timber	15.0%	93	107	79
Private Secured Loans	10.5%	313	346	280
Property	15.0%	476	547	405
		2,621	2,949	2,293

From this date, any gains or losses arising from changes in the fair value of the liability are recognised.

n) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits of each of the funds are assessed on an annual basis by the Scheme Actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under IAS26, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statements.

o) Additional voluntary contributions

Lothian Pension Fund provide an additional voluntary contribution (AVC) scheme for their members, the assets of which are invested separately from those of the fund. The fund has appointed Standard Life and Prudential as their AVC providers. AVCs are paid to the AVC providers by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

In accordance with regulation 5(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 1998, AVCs aren't included in pension fund financial statements. Details of contributions paid and the

ACCOUNTING POLICIES AND GENERAL NOTES

total value of funds invested are disclosed by way of a note to the Financial Statements.

p) Contingent assets and contingent liabilities

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it isn't possible at the balance sheet date to measure the value of the financial obligation reliably.

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

Contingent assets and liabilities aren't recognised in the Net Assets Statement but are disclosed by way of a note to the Financial Statements.

q) Employee benefits

The employees of LPFE are eligible to participate in Lothian Pension Fund.

In the Consolidated Financial Statements, the current service cost for the period is charged to the Fund Account. The assets of Lothian Pension Fund are held separately from those of the Company. The Company has fully adopted the accounting

principles as required by IAS19 – Employee Benefits.

The liability recognised in the Net Asset Statement in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs.

The defined benefit obligation is calculated annually, by the Scheme Actuary, using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in a currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligations.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the Fund Account in the period in which they arise.

Past-service costs are recognised immediately in the Fund Account, unless the changes to the pension plan are conditional on the employees remaining in service for a specified time period (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

3. Accounting Standards that have been issued but not yet adopted

Paragraph 30 of IAS 8, requires an entity to disclose if there are new accounting standards that are issued but not yet effective and to disclose information relevant to assessing the possible impact that the application of the new accounting standards will have on the entity's financial statements. The section below outlines any new accounting standards and amendments issued before 31 March 2026 with an effective date for accounting periods beginning on or after 1 April 2026.

Amendments to IAS 21 - Translation to a Hyperinflationary Presentation Currency - published in November 2025 and effective on annual periods beginning on or after 1 January 2027.

This narrow-scope amendment specifies the translation procedures for an entity whose presentation currency is that of a hyperinflationary economy.

The entity applies the amendments if:

- its functional currency is that of a non-hyperinflationary economy and it's translating its results and financial position into the currency of a hyperinflationary economy; or
- it's translating into the currency of a hyperinflationary

ACCOUNTING POLICIES AND GENERAL NOTES

economy the results and financial position of a foreign operation whose functional currency is that of a non-hyperinflationary economy.

The amendments aim to improve the usefulness of the resulting information in a cost-effective manner and reduce diversity in practice.

IFRS 18, 'Presentation and Disclosure in Financial Statements' published in April 2024 and effective on annual periods beginning on or after 1 January 2027.

This is the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:

- The structure of the statement of profit or loss
- Required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures)
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

IFRS 19, 'Subsidiaries without Public Accountability: Disclosures' - published in May 2024 and effective on annual periods beginning on or after 1 January 2027. This new standard works alongside other IFRS Accounting Standards. An eligible subsidiary applies the requirements in other IFRS Accounting Standards except for the disclosure requirements and instead applies the reduced disclosure requirements in IFRS 19. IFRS 19's reduced disclosure requirements balance the information needs of the users of eligible subsidiaries' financial statements with cost savings for preparers. IFRS 19 is a voluntary standard for eligible subsidiaries.

Amendment to IFRS 19 - 'Subsidiaries without Public Accountability: Disclosures' - published in August 2025 and effective on annual periods beginning on or after 1 January 2027.

In developing the reduced disclosure requirements in IFRS 19, the International Accounting Standards Board (IASB) considered the disclosure requirements in other IFRS Accounting Standards as at 28 February 2021. When IFRS 19 was issued, it did not contain reduced versions of any disclosure requirements that were added or amended after that date. Subsequently, the IASB issued an amendment to help eligible subsidiaries by reducing disclosure requirements for Standards and amendments issued between February 2021 and May 2024.

Amendment to IFRS S2 'Climate-related disclosures' - published in December 2025 and effective on annual periods beginning on or after 1 January 2027.

These amendments were in response to feedback regarding application challenges related to GHG emission disclosure requirements.

These targeted amendments cover four topics:

- Allowing an entity to limit the measurement of Category 15 Scope 3 GHG emissions to only 'financed emissions'
- Permitting an entity to select an industry-classification to disaggregate 'financed emissions'
- Expanding the jurisdictional relief from using the GHG Protocol Corporate Standard, so that it applies if an entity – in whole or in part – is required to use a different method for measuring GHG emissions
- Introducing a new jurisdictional relief allowing an entity to use global warming potential (GWP) values other than the values currently required by IFRS S2.

ACCOUNTING POLICIES AND GENERAL NOTES

All amendments require implementation in the annual period beginning on or after 1st January 2027, or later and therefore no changes on the presentation of the 2025/26 Financial Statements are proposed. The amendments are generally minor or principally providing clarification. Overall, these new or amended standards aren't expected to have a significant impact on the presentation of Financial Statements in future accounting periods.

4. Critical judgements in applying accounting policies unquoted private equity and infrastructure investments

It's important to recognise the highly subjective nature of determining the fair value of private equity and infrastructure investments. They're inherently based on forward-looking estimates and judgements involving many factors. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation (IPEV) Guidelines or similar guidelines provided by the British Venture Capital Association, which follow the valuation principles of IFRS.

For the Lothian Pension Fund, the value of unquoted private equity, infrastructure, timber and secured loan investments at 31 March 2026 was £2,055m (2025 £2,106m).

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 (IAS19) assumptions and comply with the requirements of IAS26. However, the results are subject to significant variances based on changes to the underlying assumptions.

The figures are only prepared for the purposes of IAS26 and have no validity in other circumstances. In particular, it's not relevant for calculations undertaken for funding purposes and setting contributions payable to the Fund.

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

The Financial Statements contain estimated figures that are based on assumptions made by the Council; private equity and infrastructure Managers; other providers of valuation information; and the Scheme Actuary about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because amounts cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Net Assets Statement at 31 March 2026 for which there's a significant risk of material adjustment in the

forthcoming financial year are as follows:

a) Actuarial present value of promised retirement benefits

Uncertainties

Estimation of the net liability to pay pensions depends on a number of 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 the Fund's assets. The Fund Actuary advises on the assumptions to be applied and prepares the estimates.

Effect if actual results differ from assumptions – Lothian Pension Fund

The effects on the net pension liability of changes in individual assumptions can be illustrated as follows:

Change in assumptions – year ended 31 March 2026	Approx Increase in liabilities	Approx monetary amount £m
0.1% p.a. decrease in the Discount Rate	2%	91
1 year increase in member life expectancy	4%	226
0.1% p.a. increase in Salary Increase Rate	0%	6
0.1% p.a. increase in Pensions Increase Rate (CPI)	2%	85

ACCOUNTING POLICIES AND GENERAL NOTES

Effect if actual results differ from assumptions – Scottish Homes Pension Fund

The effects on the net pension liability of changes in individual assumptions can be illustrated as follows:

Change in assumptions – year ended 31 March 2026	Approx Increase in liabilities	Approx monetary amount £m
0.1% p.a. decrease in the Discount Rate	1%	1
1 year increase in member life expectancy	4%	3
0.1% p.a. increase in Pensions Increase Rate (CPI)	1%	1

b) Valuation of unquoted private equity and infrastructure investments uncertainties

These investments aren't publicly listed and therefore there's a degree of estimation involved in their valuation, see 2j above for more details on the valuation methodology.

Effect if actual results differ from assumptions

There's a risk that these investments may be under or overstated in the Financial Statements at any point in time. The actual financial return of this type of investment is only known with certainty when they reach the end of their lifecycles and the final distributions are made to investors. A sensitivity analysis can be found in note 2j above.

c) Quantifying the cost of investment fees deducted from capital

Uncertainties

Section 2 h) describes the Accounting Policy for investment management expenses in relation to expenses deducted from the capital value of investments. Quantification of these costs involves asking the relevant Managers for information and only some of this information can be independently verified. In cases where the charges relate to an investment as a whole, an estimate needs to be made of the costs applicable to the holding owned by the relevant fund.

Effect if actual results differ from assumptions

There's a risk that the cost of investment fees deducted from capital may be under or overstated. However, as the costs are included in the Fund Account by adjusting the change in market value of investments, any inaccuracy in the cost estimate won't change the reported net change in the fund for the year.



STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS

The responsibilities of the Administering Authority

The Administering Authority's responsibilities are to:

- Make arrangements for the proper administration of the financial affairs of the Fund in its charge and to secure that one of its officers has the responsibility for the administration of those affairs. The Service Director: Finance and Procurement serves as the Section 95 Officer for all the Council's accounting arrangements, including those of Lothian Pension Fund and Scottish Homes Pension Fund. For the Fund, this Section 95 responsibility has been delegated to the Chief Financial Officer, Lothian Pension Fund
- Manage its affairs to secure economic, efficient and effective use of its 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 that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003)
- Approve the Audited Annual Accounts for signature.

I confirm that these audited Annual Accounts were approved for signature by the Lothian Pension Fund Committee at its meeting on 16 September 2026.



Richard Lloyd-Bithell

Service Director: Finance and Procurement,
The City of Edinburgh Council
16 September 2026

The responsibilities of the Chief Financial Officer, Lothian Pension Fund

The Chief Financial Officer, Lothian Pension Fund, is responsible for the preparation of the Fund's Financial Statements which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the Code of Practice), is required to present a true and fair view of the financial position of the Fund at the accounting date and their income and expenditure for the year ended 31 March 2026.

In preparing this statement of accounts, the Chief Financial Officer, Lothian Pension Fund, has:

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

The Chief Financial Officer has also:

- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Financial Statements give a true and fair view of the financial position of the pension fund as at 31 March 2026 and the transactions of the pension fund for year ended 31 March 2026.

Jennifer O'Brien

Chief Financial Officer,
Lothian Pension Fund
16 September 2026

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CITY OF EDINBURGH COUNCIL AS ADMINISTERING AUTHORITY FOR LOTHIAN PENSION FUND AND SCOTTISH HOMES PENSION FUND AND THE ACCOUNTS COMMISSION

Reporting on the audit of the financial statements

Opinion on financial statements

We certify that we have audited the financial statements in the annual report of Lothian Pension Fund (parent and group) and Scottish Homes Pension Fund (the Funds) for the year ended 31 March 2026 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise Lothian Pension Fund Account, the Lothian Pension Fund Net Assets Statement, Scottish Homes Pension Fund Account, Scottish Homes Pension Fund Net Asset Statement and notes to the financial statements, including a summary of material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the 2025/26 Code).

In our opinion the accompanying financial statements:

- give a true and fair view of the financial transactions of the funds during the year ended 31 March 2026 and of

the amount and disposition at that date of their assets and liabilities;

- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2025/26 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

We conducted our 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. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 3 November 2022. Our period of appointment is five years, covering 2022/23 to 2026/27. We are independent of the funds in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our 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 funds. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We 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 we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the funds' 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 funds' current or future financial sustainability. However, we report on the funds' arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CITY OF EDINBURGH COUNCIL AS ADMINISTERING AUTHORITY FOR LOTHIAN PENSION FUND AND SCOTTISH HOMES PENSION FUND AND THE ACCOUNTS COMMISSION

Risks of material misstatement

We report in our Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

Responsibilities of the Chief Financial Officer and the City of Edinburgh Council for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Financial Officer 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 Financial Officer 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 Financial Officer is responsible for assessing the funds' 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 funds' operations.

The City of Edinburgh Council is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our 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 our 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. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using our 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 funds;
- inquiring of management and the convener of the Pensions Committee as to other laws or regulations that may be expected to have a fundamental effect on the operations of the funds;
- inquiring of management and the convener of the Pensions Committee concerning the funds' policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among our 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.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CITY OF EDINBURGH COUNCIL AS ADMINISTERING AUTHORITY FOR LOTHIAN PENSION FUND AND SCOTTISH HOMES PENSION FUND AND THE ACCOUNTS COMMISSION

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the funds' 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 our auditor's report.

Reporting on other requirements

Other information

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

Our 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 our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Our opinion on the financial statements does not cover the other information and we 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CITY OF EDINBURGH COUNCIL AS ADMINISTERING AUTHORITY FOR LOTHIAN PENSION FUND AND SCOTTISH HOMES PENSION FUND AND THE ACCOUNTS COMMISSION

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

In our 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 we are required to report by exception

We required by the Accounts Commission to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.
- We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our 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, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Rebecca Lister, (for and on behalf of Azets Audit Services),
Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

We're proud of our awards and accreditations



Cyber Essentials Plus

We continue to invest in our risk management processes, recognising the responsibilities we have and the many financial and operational risks we face. Cyber-attacks are a constant threat and can cause significant damage, so we were pleased to achieve our Cyber Essentials Plus accreditation in March and increase our Microsoft Security Score to an 'Excellent' rating of 81.8%. Both achievements provide confidence in our cyber defences.



ANNUAL GOVERNANCE STATEMENT

Roles and responsibilities

The City of Edinburgh Council (the Council) has statutory responsibility for the administration of the Local Government Pension Scheme (LGPS) in the Lothian area of Scotland (Administering Authority). This responsibility is for two separate funds: the Lothian Pension Fund and Scottish Homes Pension Fund (together the Fund). Responsibility for the oversight and management of the Fund is delegated under a governance structure to satisfy the requirements of relevant pension and investment legislation, and to ensure best practice. Further details on the governance framework can be found in the Governance and Risk section at the front of the Annual Report.

In summary:

The main functions of the Administering Authority are the administration of scheme benefits and the investment of the assets of the funds. These functions are conducted in accordance with the Local Government Pension Scheme (Scotland) Regulations which are statutory instruments made under the Superannuation Act 1972. The Fund's governance structure must also adhere to the Local Government Pension Scheme (Governance) (Scotland) Regulations 2015. The oversight of the funds is therefore carried out via:

- The Pensions Committee and the Pensions Audit Sub-Committee

- The Pension Board
- The Joint Investment Forum
- Two private limited companies (details below)
- A delegations' model.

We have two private limited companies as part of LPF's operations. These are LPFE Limited (LPFE) and LPFI Limited (LPFI). LPFE provides colleagues who support the activities of the Fund and LPFI. LPFI is a regulated investment firm authorised by the Financial Conduct Authority (for the purpose of this report LPFI, LPFE and the Fund are referred to as the LPF Group). Both LPFI and LPFE are companies limited by shares and wholly owned by the Council.

Scope of responsibility

As the Administering Authority of the Fund, the Council is responsible for ensuring that its business in administering the Fund is conducted in accordance with law and appropriate standards, and that monies are safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a statutory duty under the Local Government in Scotland Act 2003 to make arrangements to secure best value, which for the Fund is exercised in conjunction with its other separate statutory duties.

In discharging these overall responsibilities, elected members,

senior officers and external representatives are responsible for implementing effective arrangements for governing the affairs of the LPF Group, and facilitating the effective exercise of its functions, including arrangements for the management of risk.



The LPF Group has adopted a Local Code of Governance which was developed in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) and SOLACE 'Delivering Good Governance in Local Government' framework which provides principles aimed at delivering good governance in local government.

The Key Principles include:

- Integrity and Ethical Values
- Openness and Engagement
- Defining Outcomes
- Risk Management
- Transparency and Accountability.

This statement explains how the LPF Group has complied with the Local Code of Governance and how it meets the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

The governance framework

The LPF Group operates within the wider governance framework of the Council but within specific ring-fenced governance

ANNUAL GOVERNANCE STATEMENT

structures focused on the Fund. The governance framework comprises the systems, controls, processes, cultures and values by which the LPF Group directs and controls the Fund. It also describes the way the LPF Group engages with and accounts to its stakeholders in relation to the management of the administration of the Fund. It enables the LPF Group to monitor the achievement of its objectives and consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The LPF Group is also directly regulated by The Pensions Regulator, the Financial Conduct Authority (regarding its regulated investment activity in respect of LPFI), the Scottish Information Commissioner and is subject to other corporate and public sector rules and regulations.

The LPF Group draws on the Administering Authority for a limited number of corporate support services, including Democratic Services, Procurement, Information Governance and Internal Audit, which contribute to the Group's assurance framework. Reliance on these services is less extensive than previously. Day-to-day governance and risk management are primarily supported by LPF's own internal Company Secretariat and Risk & Compliance teams, which form a core part of the governance stack. In addition, the Fund uses specialist external input and assurance where appropriate, for example two Joint Investment Forum (JIF) advisers and the Independent Pension Observer (IPO).



The LPF Group currently places limited reliance on certain internal financial controls within the Administering Authority's corporate financial systems (excluding the LPF Finance function), together with the associated monitoring of those controls. This reliance is largely confined to shared system-level controls and doesn't replace the Fund's own financial management, oversight and control activities.

Following the establishment of LPFE and LPFI, the Administering

Authority continues to have appropriate assurance processes and procedures around the administration of those companies and the wider administration of the Fund.

Review of Effectiveness

The Local Code of Governance details the Administering Authority's arrangements for monitoring the governance framework. The Chief Internal Auditor provides an annual

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assurance statement on the effectiveness of internal control. Internal audit is one element of the LPF Group's wider assurance arrangements, which also include oversight undertaken by LPF's Risk & Compliance team and periodic external assurance providers across regulated and pensions specific activity.

The Chief Financial Officer of the LPF Group also provides an annual statement on the effectiveness of internal financial controls for the year to 31 March 2026 for the Fund. These activities provide the Pensions Committee, Pension Board and the Boards of LPFE and LPFI with good assurance and broad coverage across the LPF Group's activities. Appropriate action plans are agreed where enhancements are identified.

In addition to monitoring and oversight activities, during the reporting period and spanning six months of activity, LPF completed a comprehensive Governance Review (Review) mirroring in many ways recommendations of the Good Governance project instigated by the Local Government Pension Scheme Advisory Board in England and Wales in 2019. Led by an independent external consultant, and supported internally, the Review examined LPF's key governance operations and arrangements and appraised the effectiveness, efficiency and fitness for purpose of LPF's current governance structure, processes and model. The findings and recommendations from the Review were presented to the Pensions Committee, Pension Board and LPFE and LPFI Boards in December 2025. In summary, the Review concluded that while the overall model



enables delivery of required outputs, there are opportunities for enhancement and continuous improvement. An action plan has been agreed, covering areas such as roles and responsibilities, meeting practices and procedures, enhanced documentation, conflicts management, knowledge and development and working relationships. Work to progress these recommendations commenced during the reporting period and will continue throughout 2026.

Certification

In our opinion, based on the evidence described above, reasonable assurance can be placed upon the adequacy and effectiveness of the systems of governance operating within

the LPF Group in its administration of the Fund. We consider the governance and internal control environment operating during the financial year from 1 April 2025 to 31 March 2026 to provide reasonable and objective assurance that significant risks impacting the LPF Group's ability to deliver its responsibilities have been, and will continue to be, identified, with proportionate actions taken to avoid or mitigate such risks.

The LPF Group has identified the following priority areas for ongoing improvement:

- **Wider governance:** The Fund will continue to strengthen its governance operating model following the completion of the Review. Priority areas include improving clarity of roles and responsibilities across governance bodies, enhancing meeting practices and behaviours, and strengthening the consistency and quality of governance documentation and reporting. Work will also continue on refining the application of Standing Orders, improving the management of conflicts of interest and breaches processes, and supporting more effective working relationships across the Committee, Board, LPF officers and the wider Council
- **Training, skills and capability:** During the period, the Fund continued to implement the Knowledge and Development Strategy and Training and Attendance Policy. For 2026/27, the focus will be on delivering enhancements approved by the governing bodies at the end of the year, including refinements designed to support role-specific development

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and strengthen continuous learning across governance bodies and the LPF Group. This work underpins the Fund's commitment to ensuring that those involved in its governance and operations have the skills and capability required to support effective decision-making

- **Information management and cyber security:** The LPF Group will continue to enhance its information management arrangements and cyber-resilience controls. This includes building on the achievement of Cyber Essentials and Cyber Essentials Plus accreditation, further developing processes for information security, and ensuring continued alignment with regulatory expectations and good practice in public sector cyber security
- **Operational resilience and business continuity:** Strengthening operational resilience remains a priority. During the coming year the LPF Group will continue to enhance its business continuity planning, testing and recovery arrangements to ensure they remain effective and proportionate to the scale and complexity of the organisation. This work supports resilience across investment, pensions administration and corporate operations
- **Financial services and regulatory compliance:** LPFI will continue to develop and embed its governance, operational and regulatory compliance arrangements to meet Financial Conduct Authority expectations, including ongoing refinement of capital adequacy, risk management and control processes. This work supports the LPF Group's

broader commitment to maintaining high standards of regulatory compliance and assurance

- **Procurement and supplier management:** Given the scale and importance of supplier relationships across the LPF Group, continued focus will be placed on strengthening procurement governance and supplier oversight. This includes ensuring proportionate procurement processes, monitoring contractual performance, and maintaining robust controls around outsourced activities and key third-party providers. These enhancements will support value for money, resilience and effective risk management.

The LPF Group will continue to ensure that these are treated as a priority and that progress towards implementation will be reviewed through the governance structures and processes established for the LPF Group and summarised herein.

David Vallery

Chief Executive Officer
Lothian Pension Fund
16 September 2026



GOVERNANCE COMPLIANCE STATEMENT

The regulations that govern the management of LGPS in Scotland require that a Governance Compliance Statement is published. This statement sets out the extent to which governance arrangements comply with best practice.

The statement below describes the arrangements as at 31 March 2026 and in place during the 2025/26 financial year.

Principle		Full Compliance	Comments
Structure	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council.	✓	The City of Edinburgh Council (Council) acts as Administering Authority and delegates all pension scheme matters to the Pensions Committee which as set out earlier is made up of: • Five Council elected members • Two external members, one drawn from the membership of the funds and one drawn from the employers that participate in the funds.
	That 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.	✓	As above, the Pensions Committee membership includes a representative of the participating employers and scheme members. Membership of the Pension Board also includes an equal number of non- administering employer and Trade Union member representatives. All members of the Pension Board are invited to attend Pensions Committee meetings. A secondary committee has been established: the Pensions Audit Sub- Committee (Sub-Committee). The Convener of that Sub-Committee is appointed from the membership of the Pensions Committee and (as at 31 March 2026) that role was held by one of the elected members. Representatives of the Pension Board are also invited to attend the Sub-Committee in a non-voting capacity.

GOVERNANCE COMPLIANCE STATEMENT

Principle		Full Compliance	Comments
Structure	Where a secondary committee or board has been established, the structure ensures effective communication across both levels.	✓	Processes and structures are in place to support communication. The Sub-Committee reports to the Pensions Committee after each of its meetings, presenting its findings and recommendations as part of a standing item on the Pensions Committee agenda. On an annual basis the Sub-Committee presents a End of Year Report to the Pensions Committee to provide further oversight of the work undertaken. As noted, Representatives of the Pension Board are invited to attend the Sub-Committee, with feedback from that meeting shared as a standing item on the Pension Board agenda. Additionally, Pension Board members attend the Pensions Committee meetings. Members of both the Pensions Committee and the Pension Board participate in joint training events and throughout 2025/26 cross-functional working group sessions have taken place as part of the 2025 LPF Governance Review (Review). Reporting is also in place to the Pensions Committee from the JIF, which reports to the Pensions Committee annually.
Representation	All key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These stakeholders include employing authorities (including non-scheme employers, e.g. admitted bodies) and scheme members (including deferred and pensioner scheme members).	✓	The commentary set out in relation to the principles above equally applies here. Specifically, the composition of the Pensions Committee and Pension Board ensures that key stakeholders are given the opportunity to be represented at both the Pensions Committee and the Sub-Committee. The structures in place, which require the attendance of key stakeholders at Pensions Committee and Sub-Committee meetings, also provide an opportunity for representation. As noted above, several opportunities have been afforded to stakeholders as part of the Review over 2025/26.
	Where appropriate, independent professional observers and expert advisers are engaged on an ad-hoc basis.	✓	The Independent Professional Observer (IPO) was appointed in September 2023 and provides written observations to Pensions Committee and Pension Board members in advance of each meeting. The IPO attends Pensions Committee, Sub-Committee, and Pension Board meetings. During 2025/26, the IPO was a member of the Review Working Group as well as a Nominations and Appointments panel for Pension Board appointments. Two independent Non-Executive Directors (INED) are appointed to the Board of Directors of LPFI and LPFE, which supports independent judgment and diversity in decision-making. In addition, a formal and transparent search process commenced during the period to appoint an independent Non-Executive Director to join each Board of Directors in 2025. Several specialist advisers provide services to LPF and, where required, may from time to time be invited to attend meetings to present reports or support discussions. For example, LPF's External Auditor attends when necessary. Internal Audit reports to the Sub-Committee quarterly. Additionally, independent professional advisers presented at training events provided to the Pensions Committee and Pension Board members in 2024/25 on several topics.

GOVERNANCE COMPLIANCE STATEMENT

Principle		Full Compliance	Comments
	That where lay members sit on a main or secondary committee, they're treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	✓	The Pensions Committee (and the Sub-Committee as at 31 March 2026) membership comprises external non-elected members. Non-elected members of those bodies are treated no differently from Elected members – they're voting members with the full powers, duties and responsibilities as any other member. In addition, as noted previously, Pension Board members attend the Pensions Committee meetings and receive equal access to the papers for those meetings. While the Pension Board members don't have voting rights at the Pensions Committee, the Pension Board is given an opportunity to contribute during meetings and takes part in all joint training events As key highlight of 2025/26, all members of the Pensions Committee (elected or otherwise) and Pension Board contributed to the Review.
Selection and Role of Lay Members	That Committee or Board members are made fully aware of the status, role and function that they're required to perform on either a main or secondary Committee.	✓	The delegated functions of the Pensions Committee are set out in its Terms of Reference. Training is made available, and an induction programme is in place. Over the course of 2025/26, a new Knowledge and Development Strategy, together with an updated Training and Attendance Policy, delivered and embedded as part of continuous development, strengthening awareness of roles and functions. The Elected members of the Pensions Committee are required to read, sign and abide by the Councillors' Code of Conduct. The LPF Code of Conduct, approved in December 2019 (and specifically updated and tailored for the Pension Committee and Pension Board) must be read and signed by elected and non-elected members prior to their appointment.

GOVERNANCE COMPLIANCE STATEMENT

Principle		Full Compliance	Comments
Selection and Role of Lay Members	That at the start of any meeting, Committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	✓	The Code of Conduct is applicable to all members of the Pensions Committee and Pension Board and includes requirements related to conflicts of interest. On an ongoing basis, members are required to notify any actual or potential conflicts of interest. Each meeting of the Pensions Committee, Sub- Committee, Pension Board and LPFI and LPFE Board begins with a declaration of interests standing item.
Voting	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.	✓	All Pensions Committee members are entitled to vote. LPFI and LPFE Board meetings are carried out in accordance with their respective Articles of Association and other constitutional documents.
Training/ Facility Time/ Expenses	That in relation to the way in which statutory and related decisions are taken by the administering authority, there's a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process. 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. That the administering authority considers the adoption of annual training plans for Committee and Board members and maintains a log of all such training.	✓	A Training and Attendance Policy has been in place throughout the period. This policy was also updated in early 2025 covering training requirements (a minimum of 21 hours per year) and sets out the scope of reimbursing expenses. The policy is publicly available and applies to all Pensions Committee and Pension Board members. The Pensions Committee and Pension Board members have regular joint training sessions hosted and run by LPF for the purposes of developing their knowledge and understanding of key matters, such as related to investment strategy, pension operations, benchmarking results, pension reforms as well as their role and responsibilities as governing body members. External speakers are invited to present on a variety of topics benchmarking results, pension reforms as well as including on the fiduciary duty, cyber security, and the Governance Review. Annual training plans have been adopted as part of the Training and Attendance Policy providing an outline programme for a three-year period. Attendance at meetings and training is monitored and reported. The External Auditor carried out additional work on governance arrangements related to this area as part of the statutory audit.

GOVERNANCE COMPLIANCE STATEMENT

Principle		Full Compliance	Comments
Meetings frequency	a) That an administering authority's main Committee or Committees meet at least quarterly.	✓	The Pensions Committee meets at least quarterly.
	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 Committees sits.	✓	The Sub-Committee meets at least three times a year at an annual cadence to coincide with the Pensions Committee and met four times in the reporting period. Further meetings are held if necessary. The Pension Board meets separately in advance of each Pensions Committee meeting, in addition to attendance at the Pensions Committee meetings themselves. The JIF meets quarterly or more frequently as required. The LPFE and LPFI Boards also meet quarterly and more frequently as required.
	c) That an administering authority who doesn't 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.	Not applicable	
Access	That subject to any rules in the council's constitution, all members of main and secondary Committees or Boards have equal access to committee papers, documents and advice that falls to be considered at meetings of the main Committee.	✓	Except for any matters considered under a private agenda, as permitted by legislation, Pensions Committee papers and minutes are publicly available on the Council's website All Pensions Committee papers are circulated in advance to all members of the Pensions Committee and Pension Board members, including the IPO. Members of the Pensions Committee and Pension Board have equal access to the IPO.

GOVERNANCE COMPLIANCE STATEMENT

Principle		Full Compliance	Comments
Scope	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	✓	The Pensions Committee receives and votes on, as required, matters relating to both the administration and investment of the Fund. LPF provides regular updates for Pensions Committee members.
Publicity	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.	✓	Details related to the governance arrangements are publicly available on LPF's website, including the Pension Board Constitution. The LPF Group also communicates regularly with employers and scheme members through various channels, including in respect of any vacancies which may arise to join the Pensions Board or apply as an external member of the Pensions Committee.

David Vallery
 Chief Executive Officer
 Lothian Pension Fund
 16 September 2026

REMUNERATION REPORT

Remuneration policy for employees

Officers and employees of Lothian Pension Fund are employed by LPFE, an arm's-length organisation owned by the City of Edinburgh Council, the administering authority for the Fund. LPFE has been incorporated as a standalone entity to enable us to compete with private sector investment management firms in the recruitment and retention of skilled and experienced investment managers and analysts.

Managing the majority of the Fund's assets internally enables us to achieve significantly lower costs, which in turn leads to improved net returns or reduced investment risk compared to appointing private sector asset managers to invest the Fund's assets. The LPFE Board acts as the Remuneration Committee for officers and employees, determining pay arrangements based on well-researched market benchmarks and performance against pre-agreed targets. These arrangements are always linked to the principle of delivering value for money for the Fund's members and their sponsoring employers.

Each year, LPF participates in a range of benchmarking exercises to measure operating costs, and net investment returns against relevant peers and indices. Pay arrangements at LPFE are underpinned by comprehensive market benchmarking, conducted with an external provider, and reflect the market conditions for investment expertise where

such skills are required for the role. By using benchmarks for costs and net investment returns, we provide assurance to our oversight bodies that these pay arrangements represent value for money for members and their sponsoring employers, who bear the cost of operating the Fund and delivering retirement benefits.



We operate three variable pay schemes at LPF, two of which include vesting periods. The Portfolio Manager and Senior Management schemes entitle eligible colleagues to receive an assessed percentage of their salary as additional variable pay if specific objectives are achieved during the year. The assessment year runs from 1 January to 31 December. Senior Manager awards have a two year vesting period and Portfolio Manager awards have a three-year vesting period (two-year vesting period from 2026/27).

The first portion is payable at the end of the first year, provided objectives are met. The remaining portion(s) are payable in each of the subsequent two years, subject to the condition that the employee remains in employment at the relevant time.

Following a review of the application of pensionable pay under the Scottish Local Government Pension Scheme regulations, it has been determined that pay awards under all variable pay schemes, both historic and future, are pensionable. Work

remains ongoing to implement the associated changes and to determine the impact on individual pension benefits. As a result, certain pension-related disclosures in this report may not yet reflect the full outcome of that work. Further information will be disclosed in future Remuneration Reports, as appropriate.

The accounting treatment for variable pay, as outlined in International Accounting Standard (IAS) 19: Employee Benefits, requires that employee service prior to the vesting date gives rise to an obligation to make payment. This is because, at the end of each reporting period, the remaining amount of future service required to become entitled to the benefit is reduced.

In accordance with IAS 19, a liability has been recognised as of 31 March 2026 for the two months of service already rendered by employees in respect of the remaining vested payments under the scheme.

This obligation on the part of LPF to make payments for service provided up to 31 March 2026 is reflected in the figures presented in the following pages.

REMUNERATION REPORT

NUMBER OF EMPLOYEES BY PAY BAND

The numbers of employees whose total remuneration during the year exceeded £50,000 were as follows:

Remuneration Bands	2024/25	2025/26	Remuneration Bands	2024/25	2025/26	Remuneration Bands	2024/25	2025/26
£50,000 - £54,999	6	3	£135,000 - £139,999	2	-	£220,000 - £224,999	-	-
£55,000 - £59,999	1	3	£140,000 - £144,999	-	-	£225,000 - £229,999	1	-
£60,000 - £64,999	1	3	£145,000 - £149,999	-	-	£230,000 - £234,999	-	-
£65,000 - £69,999	2	3	£150,000 - £154,999	-	2	£235,000 - £239,999	-	-
£70,000 - £74,999	1	4	£155,000 - £159,999	-	-	£240,000 - £244,999	-	-
£75,000 - £79,999	3	4	£160,000 - £164,999	1	1	£245,000 - £249,999	-	-
£80,000 - £84,999	-	2	£165,000 - £169,999	-	1	£250,000 - £254,999	-	1
£85,000 - £89,999	1	-	£170,000 - £174,999	3	-	£255,000 - £259,999	-	-
£90,000 - £94,999	4	1	£175,000 - £179,000	-	2	£260,000 - £264,999	-	-
£95,000 - £99,999	2	5	£180,000 - £184,999	-	1	£265,000 - £269,999	-	-
£100,000 - £104,999	1	2	£185,000 - £189,999	3	1	£270,000 - £274,999	-	-
£105,000 - £109,999	1	-	£190,000 - £194,999	1	2	£275,000 - £279,999	-	-
£110,000 - £114,999	-	-	£195,000 - £199,999	2	1	£280,000 - £284,999	-	-
£115,000 - £119,999	1	1	£200,000 - £204,999	-	-	£285,000 - £289,999	-	1
£120,000 - £124,999	1	1	£205,000 - £209,999	-	-	£290,000 - £294,999	1	-
£125,000 - £129,999	-	-	£210,000 - £214,999	-	-	Total no. of employees	39	45
£130,000 - £134,999	-	-	£215,000 - £219,999	-	-			

REMUNERATION REPORT

EMPLOYEES REMUNERATION

The remuneration paid to LPF's senior employees is as follows:

	Total Remuneration 2024/25	Salary, Fees and Allowances	Variable Remuneration	Total Remuneration 2025/26
Name and Post Title	£000	£000	£000	£000
David Vallery, Chief Executive Officer	288	204	80	284
Emmanuel Bocquet, Chief Investment Officer	229	194	59	253
Alan Sievwright, Chief Financial Officer	198	162	-	162
Kerry Thirkell, Chief Risk Officer	195	147	52	199
Karlynn Sokoluk, Chief Operating Officer (to September 2024)	99	-	-	-
Helen Honeyman, Chief Operating and People Officer (to September 2025)	191	66	-	66
Barry MacLennan, Chief Operating Officer (from October 2025)	-	68	-	68
Total	1,200	841	191	1,032

The senior colleagues detailed above have responsibility for the management of the LPF Group, to the extent that they have the authority to direct or control the major activities of the Group (including activities involving the expenditure of funds), during the year to which the Remuneration Report relates, whether solely or collectively with others.

REMUNERATION REPORT

The variable remuneration shown above includes the Company's variable remuneration for 2025/26, the Senior Management's variable remuneration for 2024/25, and the vested payments for the previous two assessment years. This is split as follows:

	Company Variable Remuneration 2025/26	Senior Management Variable Remuneration		Total Variable Remuneration 2025/26
		2025 Payment 2	2026 Payment 1	
Name and Post Title	£000	£000	£000	£000
David Vallery, Chief Executive Officer	20	20	40	80
Emmanuel Bocquet, Chief Investment Officer	16	18	25	59
Kerry Thirkell, Chief Risk Officer	14	16	22	52
Total	50	54	87	191

The remuneration paid to employees whose total remuneration during the year exceeded £150,000 is as follows:

	Total Remuneration 2024/25	Salary, Fees and Allowances	Variable Remuneration	Total Remuneration 2025/26
Name and Post Title	£000	£000	£000	£000
Andrew Imrie, Portfolio Manager	185	135	59	194
Stewart Piotrowicz, Portfolio Manager	184	128	58	186
Ian Wagstaff, Portfolio Manager	185	134	59	193
Albert Chen, Portfolio Manager	161	116	52	168
Ross Crawford, Portfolio Manager	169	125	54	179
Nicola Barrett, Portfolio Manager	172	121	55	176
Gillian De Candole, Portfolio Manager	168	125	56	181
James Brooks, Portfolio Manager	139	107	46	153
Mark Dobbie, Portfolio Manager	138	104	48	152
Total	1,501	1,095	487	1,582

REMUNERATION REPORT

The variable remuneration shown on the previous page includes the Company's variable remuneration for 2025/26, the Portfolio Manager's variable remuneration for 2025/26, and the vested payments for the previous two assessment years. This is split as follows:

	Company Variable Remuneration 2025/26 £000	Portfolio Manager Variable Remuneration			Total Variable Remuneration 2025/26 £000
		2024 Payment 3 £000	2025 Payment 2 £000	2026 Payment 1 £000	
Name and Post Title	£000	£000	£000	£000	£000
Andrew Imrie, Portfolio Manager	11	16	15	17	59
Stewart Piotrowicz, Portfolio Manager	10	16	15	17	58
Ian Wagstaff, Portfolio Manager	11	16	15	17	59
Albert Chen, Portfolio Manager	9	14	14	15	52
Ross Crawford, Portfolio Manager	10	14	14	16	54
Nicola Barrett, Portfolio Manager	10	15	14	16	55
Gillian De Candole, Portfolio Manager	12	14	14	16	56
James Brooks, Portfolio Manager	8	12	12	14	46
Mark Dobbie, Portfolio Manager	10	12	12	14	48
Total	91	129	125	142	487

Senior officers of the City of Edinburgh Council are fully remunerated by the Council, and no additional remuneration is paid by LPF. This remuneration is disclosed in the financial statements of the City of Edinburgh Council. The total amount of variable remuneration payable over the next two years, if all colleagues involved in the arrangements as at 31 January 2026 remain in the Company's employment, is as follows:

	Payable March 2027		Payable March 2028
	2025 Payment 3 £000	2026 Payment 2 £000	2026 Payment 3 £000
Senior Employee Variable Remuneration	-	64	-
Portfolio Manager Variable Remuneration	127	155	155
Employer National Insurance Contribution	19	33	23
Total	146	252	178

The amounts payable for senior employees' variable remuneration over the next two years exclude amounts previously calculated for colleagues who have subsequently left their posts.

REMUNERATION REPORT

Colleague pension entitlement

Pension benefits for colleagues are provided through the Local Government Pension Scheme.

The Local Government Pension Scheme became a career average pay scheme for colleagues on 1 April 2015. Benefits built up to 31 March 2015 are protected and based on final salary. Accrued benefits from 1 April 2015 are based on career average salary.

The Scheme's normal retirement age for colleagues is linked to the State Pension Age (with a minimum of age 65).

From 1 April 2009, a five-tier contribution system was introduced, with contributions from Scheme members based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009, contribution rates were set at 6% for all non-manual colleagues.

The tiers and members' contribution rates for 2025/26 are as follows:

Pensionable Pay (2025/26)	Rate (%)
On earnings up to and including £27,500 (2024/2025 £27,000)	5.5%
On earnings above £27,501 and up to £33,600 (2024/2025 £27,001 to £33,000)	7.25%
On earnings above £33,601 and up to £46,100 (2024/2025 £33,001 to £45,300)	8.5%
On earnings above £46,101 and up to £61,400 (2024/2025 £45,301 to £60,400)	9.5%
On earnings of £61,401 and above (2024/2025 £60,401)	12.0%

If a person works part-time, their contribution rate is worked out using the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

There's no automatic entitlement to a lump sum. Members may opt to give up (commute) part of their pension for a lump sum, up to the limit set by the Finance Act 2004.

The value of the accrued benefits has been calculated based

on the age at which the person will first become entitled to receive a pension on retirement without reduction for early payment; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for future inflation.

The pension figures shown relate to the benefits that the person has accrued as a result of their total local government service, and not just their current appointment.

REMUNERATION REPORT

The pension entitlement of LPF Group senior employees is as follows:

	In-year Pension Contributions			Accrued Pension Benefits	
	2024/25	2025/26		As at 31 March 2026	Increase from 31 March 2025
Name and Post Title	£000	£000		£000	£000
David Vallery, Chief Executive Officer	40	41	Pension	17	5
			Lump Sum	-	-
Emmanuel Bocquet, Chief Investment Officer	-	-	Pension	-	-
			Lump Sum	-	-
Alan Sievwright, Chief Financial Officer	32	30	Pension	7	7
			Lump Sum	-	-
Kerry Thirkell, Chief Risk Officer	29	30	Pension	12	3
			Lump Sum	-	-
Karlynn Sokoluk, Chief Operating Officer (to September 2024)	12	-	Pension	7	-
			Lump Sum	-	-
Helen Honeyman, Chief Operating and People Officer (to September 2025)	28	12	Pension	15	1
			Lump Sum	-	-
Barry MacLennan, Chief Operating Officer (from October 2025)	-	12	Pension	-	-
			Lump Sum	-	-
Total	141	125		58	16

REMUNERATION REPORT

The pension entitlement of the LPF Group's colleagues whose remuneration during the year exceeded £150,000 is as follows:

	In-year Pension Contributions			Accrued Pension Benefits	
	2024/25	2025/26		As at 31 March 2026	Increase from 31 March 2025
Name and Post Title	£000	£000		£000	£000
Andrew Imrie, Portfolio Manager	25	26	Pension	51	4
			Lump Sum	20	-
Stewart Piotrowicz, Portfolio Manager	25	25	Pension	43	5
			Lump Sum	-	-
Ian Wagstaff, Portfolio Manager	25	26	Pension	40	3
			Lump Sum	-	-
Albert Chen, Portfolio Manager	22	23	Pension	23	3
			Lump Sum	-	-
Ross Crawford, Portfolio Manager	23	24	Pension	21	3
			Lump Sum	-	-
Nicola Barrett, Portfolio Manager	24	24	Pension	19	3
			Lump Sum	-	-
Gillian De Candole, Portfolio Manager	24	25	Pension	22	3
			Lump Sum	-	-
James Brooks, Portfolio Manager	20	21	Pension	8	2
			Lump Sum	-	-
Mark Dobbie, Portfolio Manager	20	21	Pension	8	2
			Lump Sum	-	-
Total	208	215		255	28

Exit packages

Exit packages include compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex gratia payments, and other departure costs. There were no exit packages paid in 2025/26.

Remuneration for councillors on the Pensions Committee

Councillors on the Pensions Committee are remunerated by the City of Edinburgh Council. No additional remuneration is paid by the Fund.

ADDITIONAL INFORMATION

Key documents online

You can find further information on what we do and how we do it, on our website at www.lpf.org.uk. To view individual policy documents, click on the links below if viewing online or visit www.lpf.org.uk/publications.



[- Actuarial Valuation reports](#)

[- Communications Strategy](#)

[- Pension Board constitution](#)

[- Funding Strategy Statement](#)

[- Annual Report and Accounts](#)

[- Strategy and Business Plan](#)

[- Statement of Investment Principles](#)

[- Training and Attendance policy](#)

[- Statement of Responsible Investment Principles](#)

Fund advisers

Actuaries:	Hymans Robertson LLP, Exchange Place 1, Sempole Street, Edinburgh, EH3 8BL
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Auditors:	Azets Audit Services, Quay 2, 139 Fountainbridge, Edinburgh EH3 9QG
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Bankers:	Royal Bank of Scotland, 36 St Andrew Square, Edinburgh, EH2 2YB
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Strategic advisers:	Stan Pearson and Stephen Jones
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Investment custodians:	The Northern Trust Company, 50 Bank Street, Canary Wharf, London, E14 5NT
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Investment managers:	Details can be found in the notes to the accounts.
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Additional Voluntary Contributions (AVC) providers:	Standard Life, Standard Life House, 30 Lothian Road, Edinburgh, EH1 2DH Prudential, 5 Central Way, Kildean Business Park, Stirling, FK8 1F.
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Property valuations:	Savills (UK) Limited, 33 Margaret Street, London, W1G 0JD
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Property Management and Property Fund Accounting:	Jones Lang LaSalle Limited, 30 Warwick Street, London, W1B 5NH
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Property Legal:	CMS Cameron McKenna Nabarro Olswang LLP, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN Addleshaw Goddard LLP, One St Peter's Square, Manchester, M2 3DE
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Solicitors:	Lothian Pension Fund In-house
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ADDITIONAL INFORMATION

Comments and suggestions

We appreciate your comments and suggestions on this report. Please let us know which sections you found useful and if you have any suggestions for items to be included in the future. Please email your comments to pensions@lpf.org.uk.

Accessibility

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Contact details

If you would like further information about Lothian Pension Fund and Scottish Homes Pension Fund, please contact us using the details on the back page of this report.





PO Box 24158, Edinburgh, EH3 1GY

Phone: 0333 996 1900

Email: pensions@lpf.org.uk

Web: www.lpf.org.uk