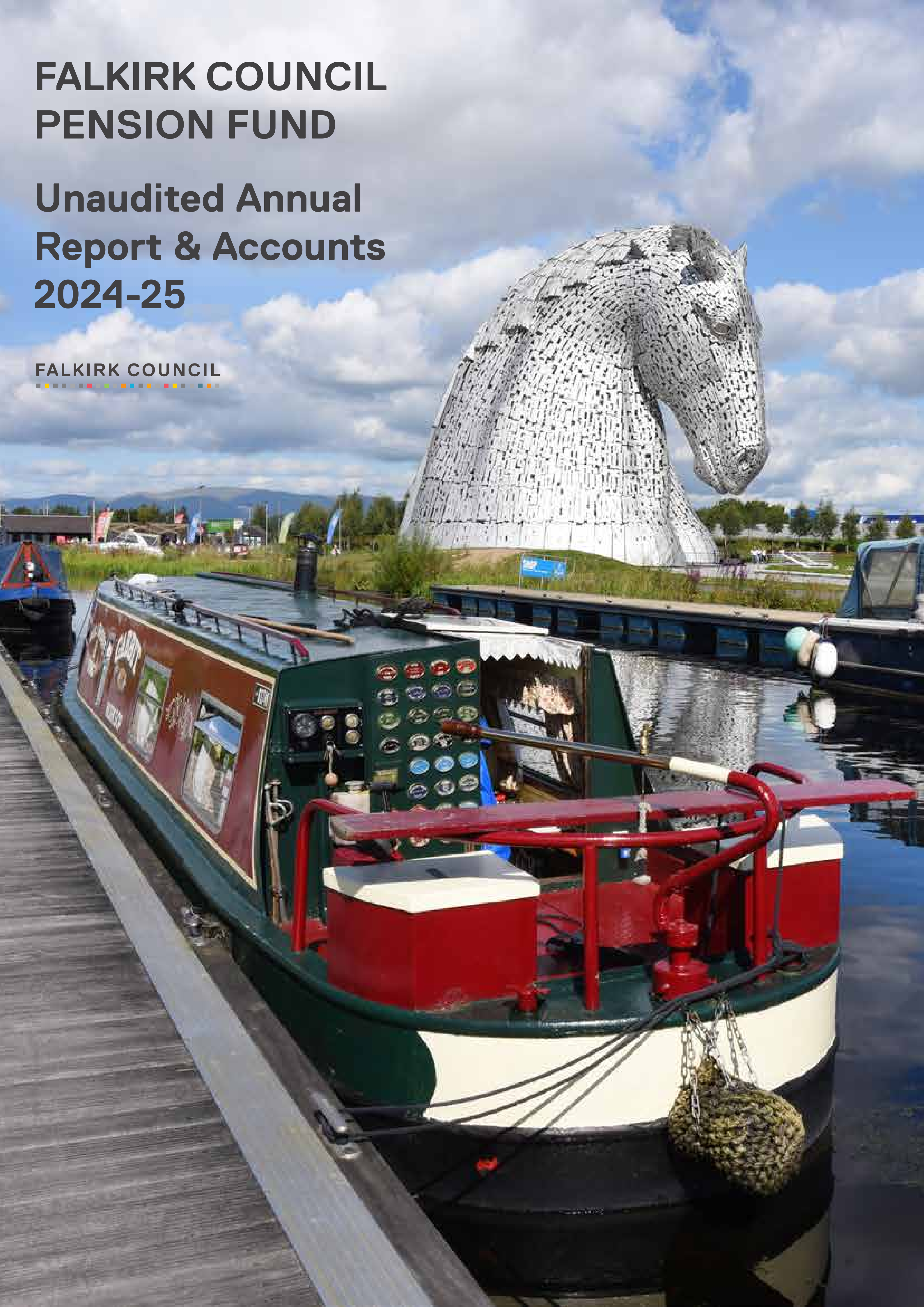
FALKIRK COUNCIL PENSION FUND

Unaudited Annual Report & Accounts 2024-25

FALKIRK COUNCIL



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Foreword from the Chair of the Pensions Committee

As Chair of the Pensions Committee with responsibility for overseeing the investment management and administration of the Falkirk Council Pension Fund ("the Fund"), I am pleased to introduce the 2024/25 Annual Report and Accounts.

I would like to begin by offering my best wishes to all readers of the Accounts; to Committee and Board members; the Pensions team; scheme members; and all those associated with the business of the Fund.

As I set out on my fourth year as the Chair of the Pensions Committee of the Falkirk Council Pension Fund, I did not expect to still be reporting that global markets remain tumultuous. However, from the aftermath of the Covid 19 pandemic, world conflict in Ukraine and Gaza to the cost-of-living crisis and in more recent times the economic turmoil caused by Trump's tariffs, continuing tensions and the impact of political will and policy continue to affect the world's economies. Through this turmoil I am pleased to confirm that the Fund has and continues to perform well.

That the Fund remains resilient to this sustained economic turmoil is a testament to the investment strategy adopted and ratified by the Pensions Committee and Pension Board. The last valuation of the Fund showed the Fund to be in a very healthy state with a funding level of 137%. This has now grown to 162% and while this is good news for the Fund, its employers and members, it has to be remembered that funding is a very volatile metric and the prudent approach adopted by the Fund fuels its growth but also helps it to attain its goal of having sufficient money to pay the benefits promised to members.

As a body that strives to generate investment returns to help pay for member benefits, the continuing turbulence in the financial markets has presented a challenging investment environment. However, the Fund's approach of holding a well-diversified range of assets including equities, property, infrastructure and bonds continues to prove a sound strategy and saw the Fund grow to £3.6bn at 31 March 2025 from £3.4bn at 31 March 2024.

Against this backdrop of strong investment performance with the Fund achieving an investment return of 3.93%, 2.95% more than the benchmark of 0.98%. The Fund has also been gearing up to embrace onboarding to the Pensions Dashboard. Phase 1 of a two-phase onboarding plan has been completed with Phase 2 scheduled for August 2025 meaning the Fund and its AVC providers are in a good position to connect to the dashboard on the Fund's connection date of 31 October 2025 and it is pleasing to know that the Fund will be well placed to support this important initiative to connect people with their pension savings giving them greater control over their retirement planning.

Finally, in conclusion, can I take this opportunity to thank my colleagues on the Committee and Board for their dedication and efforts during the past year. I would also like to thank the Pensions Team for their efforts and Andy Douglas who stepped down from the Pensions Committee after years of loyal service.

To all readers, I hope you find the Annual Report and Accounts for 2024/25 helpful and informative.

Councillor Lorna Binnie

Chair of the Pensions Committee

Statement from the Chair of the Pension Board

The twelve months covered by this year's report have seen a change in UK government, a change in US president, and a number of other elections around the globe, all contributing to an increasingly uncertain and fast-changing financial landscape, quite aside from the ongoing conflicts around the world. I am pleased that the Fund continues to perform well within this environment and does so whilst demonstrating very high standards of governance, transparency and accountability at all levels. The statutory role of the Board is to assist the Scheme Manager (the Council) in its compliance with the rules relating to scheme governance and administration and with the requirements imposed by The Pensions Regulator, and I must acknowledge and praise the Committee members and my fellow Board members for their hard work, attention and diligence in this regard.

A significant volume of work was undertaken during 2024/25. Starting with a revised investment strategy effective from April 2024 that rebalanced the Fund's asset holdings, this year's work included annual and regular activity such as the timely issue of members' benefit statements, the review of Business Continuity measures, approval of internal and external audit plans, review of the Risk Register and Risk Assurance Map, and the important ongoing training of Board and Committee members to ensure they can competently fulfil their respective remits. The Communication and Cash Management Policies were updated this year, and I particularly welcome the introduction of an annual Business Plan from 2025/26 to help direct and plan for upcoming activity, such as work to ensure the Fund onboards to the Pensions Dashboard on time later this year, and work to continue implementing the outcomes of the McCloud judgement.

Our compliance with The Pension Regulator's Code of Practice was assessed this year and is considered strong, albeit with some scope for improvements. Additionally, we have substantial assurance from internal audit that the Fund's risk management, governance and control environment is healthy. The exit of two employers from the Fund this year was also handled smoothly.

I was also pleased to hear the views of a group of concerned stakeholders at one meeting this year, relating to some of the Fund's investments, and questioning to what extent this aligns to both the Fund's Statement of Responsible Investment Principles and its overriding fiduciary duty to members. Environmental, social and governance (ESG) issues remain at the forefront of discussions and form an important part of the Fund's investment decisions and activity. I appreciate the regular and comprehensive updates provided to the Board and Committee on investment, engagement and voting activity. This approach to engagement, with divestment as a last resort, is one I fully support as part of being a responsible investor.

Lastly, I'm particularly pleased to welcome Linda Devine, Andy Witty and Nicola McCarter to the Board this year, and give my special thanks to departing members Martin Clark, Nicola Griffin and Raymond Smith for their time and diligence serving as Board members. My final and biggest thanks and appreciation go to the Pensions Team for all their hard work and dedicated efforts that, for yet another year, have ensured the smooth operation of the Fund for all of its members.

Ross Mackenzie

Chair of the Pension Board

Contact us

Enquiries	
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Website:	www.falkirkpensionfund.org

Management of the Fund

Scheme administrator	Falkirk Council
Fund Officers	Amanda Templeman, Chief Finance Officer Catherine Carruthers, Pensions Manager
Actuaries	Hymans Robertson LLP
Bankers	The Royal Bank of Scotland
Custodian	The Northern Trust Company
Investment Advisers	Joint Investment Forum incl. independent advisers Stan Pearson; Stephen Jones
Legal Advisers	Lothian Pension Fund (secondment arrangement) Falkirk Council Legal Services
Additional voluntary contributions (AVC) providers	Prudential Standard Life
External Auditor	Audit Scotland, 4th Floor, South Suite, The Athenaeum Building, 8 Nelson Mandela Place, Glasgow G2 1BT

Fund Managers

Equity
Legal and General
Lothian Pension Fund Investments Ltd (LPFI)
Patria Capital Partners LLP
Pictet Asset Management
Schroders Investment Management
Wilshire
Other Real Assets
Abrdn
Astatine Investment Partners
Ancala
Ardian
Brookfield Infrastructure
Dalmore Capital
Equitix
Global Infrastructure Partners
Greensphere
Gresham House

Grosvenor Capital
Harbert Investment Management
Hearthstone
Hermes
Infracapital Greenfield Partners
InfraRed Capital
Innisfree
Iona Capital
KKR
Legal & General
Macquarie
Meridiam
Octopus Real Estate
Resonance British Wind
Schroders Investment Management
The Unite Group
UBS
Vauban
Sovereigns and Credit
Alcentra
Apogem Capital
Baillie Gifford
Barings
Blackrock
CVC Credit Partners
Lothian Pension Fund Investments Ltd (LPFI)

Annual Report and Accounts

This is the Annual Report and Accounts for the Falkirk Council Pension Fund for 2024/25.

The Annual Report has been prepared in accordance with Regulation 55 of the Local Government Pension Scheme (Scotland) Regulations 2018 and the CIPFA Guidance for Local Government Pension Scheme Funds (2019 Edition) entitled "Preparing the Annual Report".

Performance headlines	2021/22	2022/23*	2023/24	2024/25
Funding Level	113%	137%	146%	162%
Admin cost per member in £	26.61	32.67	32.03	32.95
Investment return %	13.1	0.8	8.41	3.93
Performance v benchmark %	+6.9	+12.8	-2.63	2.95
External audit outcome	Unqualified	Unqualified	Unqualified	Awaiting

*31 March 2023 was a valuation year where a full Fund valuation was conducted. Funding levels at other year ends are estimated by the actuary by rolling forward from the last valuation. All funding levels are a snapshot on a particular date.

Further information on Investment Performance and Returns can be found in the Investment Performance Section of the Report.

About the Falkirk Council Pension Fund
Falkirk Council is designated as an "Administering Authority" and is required to operate and maintain a pension fund - the Falkirk Council Pension Fund ("the Fund").

The Fund is used to pay pensions, lump sum benefits and other entitlements to scheme members and their dependants. Contributions are made by employee members and by participating employers. The Fund also receives income from its various investments.

The Fund operates under the terms of the Local Government Pension Scheme which is a public service pension scheme governed by the Public Service Pensions Act 2013. Scheme membership is made up of active, deferred, pension credit and pensioner members. To join the scheme as an active member, a person must be employed by a local authority or by a designated body and not be entitled to join another public service pension scheme.

Employers in the Fund are either Scheduled Bodies – in which case they are legally required to offer the Scheme to their employees, or Admission Bodies – in which case the body has applied to participate in the Fund and their application has been accepted.

The larger Fund employers are Clackmannanshire, Falkirk and Stirling Councils, the Scottish Environment Protection Agency (SEPA), the Scottish Children's Reporter Administration (SCRA) and Strathcarron Hospice. Other employers include several non-profit making charitable bodies located in Central Scotland, as well as two contractors

(Amey and Forth & Oban Ltd) to whom school facilities maintenance has been transferred. A full list of Fund employers is given in Appendix 2 and their contributions are shown on page 32.

In addition to Fund employers, key partners include local authorities, actuaries, banks, government agencies, fund managers, legal advisers, corporate governance and litigation specialists, and various other financial institutions.

lgps About the Local Government Pension Scheme (LGPS)

- The LGPS is a nationwide pension arrangement for people working in local government and is one of the largest schemes in the UK with over six million members.
- Local authorities and certain other public bodies are required by law to operate the Scheme. Other organisations such as charities, non-profit making entities and contractors may apply to join the Scheme.
- The LGPS (Scotland) is the version of the Scheme which applies to local authorities in Scotland. Other versions apply in England, Wales and Northern Ireland.
- The Scheme consists of around 100 regional pension funds across the UK of which 11 are based in Scotland – one of which is the Falkirk Council Pension Fund.
- The LGPS is a funded scheme, which means monies are set aside to pay for benefits as they fall due, thus helping to reduce the costs falling on future generations.
- The LGPS is a defined benefit scheme providing a range of high-quality inflation linked benefits based on members' salaries and, where the member was in service before 1 April 2015, their years of scheme membership. Unlike other forms of pension provision, benefits do not depend on investment performance.
- For more information about LGPS (Scotland), please visit www.falkirkpensionfund.org or www.pensions.gov.scot/local-government

Management Commentary

Summary
2024/25 was a challenging year for the Fund with the onboarding to the Pensions Dashboard and implementing the McCloud Remedy creating competing priorities for the Fund. However, while not complete, good progress has been made in implementing the McCloud Remedy and Phase One of a two phase plan to onboard to the Pensions Dashboard was completed putting the Fund in a good position to complete its obligations for these workstreams within the permitted timescales.

During the year, the Fund delivered an investment return of 3.93%, which was 2.95% higher than the benchmark return of 0.98%. Additionally, even though global markets continue to be unsettled, the Fund remains in a healthy condition with the actuary estimating an increase to the Fund's funding level. The funding level at 31 March 2023, the last actuarial valuation, was 137% and at 31 March 2025 it was estimated to have risen to 162% based on rolled forward figures and assumptions adopted at the 2023 Valuation. However, it is important to note that funding levels are simply a point in time indicator of the Fund's health, though, it is a good indicator that the Fund's prudent approach to the diversification of its investments is providing the Fund with the much needed resilience to weather the headwinds created by continued global uncertainty and unrest.

At 31 March 2025, the Fund had assets of £3.6 billion (£3.4 billion at 31 March 2024). The Fund invests in line with its Statement of Investment Principles and an investment strategy both of which were reviewed in 2023/24 to ensure the Fund takes a prudent and appropriate investment approach. Following the completion of this review a slight alteration was made to the Statement of Investment Principles and the strategic asset allocations and permitted ranges of the policy groups and these were implemented during 2024/25.

The remainder of this commentary looks at the Fund's business model, the key themes feeding into 2024/25, and management's observations on the overall performance and the outlook for the Fund.

Business Model
The day to day running of the Fund is carried out by the in-house Pensions Team whose key objectives are:
- to provide an efficient and cost-effective service that meets members' needs
- to oversee the safeguarding and prudent investment of Fund assets, and
- to contribute to the good governance of the Fund in compliance with statutory requirements.

The Fund is managed and administered from the Foundry in the Central Park, Larbert. However, staff continue to be home and office based in a hybrid working arrangement.

The Team is managed by a Pensions Manager who reports to the Chief Finance Officer. Accountability is to the Pensions Committee, the Pension Board, Fund Employers and Scheme Members.

The work of the Team covers the following areas of activity:

- membership and benefits administration
- investment
- governance and risk management
- funding
- accounting
- communications

Membership and benefits administration is undertaken internally by the Pensions Team. For more detailed information on this activity, turn to the Scheme Administration Section.

Investment of the Fund's assets is undertaken by a range of specialist managers. Investment strategy is set by the Pensions Committee. Implementation of the strategy is delegated to the Chief Finance Officer. Both Committee and Chief Finance Officer receive advice from investment professionals via the Joint Investment Forum (JIF). Investment mandates are overseen by the Pensions Section and LPFI Ltd (Lothian Pension Fund Investments Ltd) Officers via the Shared Service Agreement. More Information about the Fund's investment management arrangements is given on page 47.

Governance and risk management is the responsibility of the Pensions Committee to whom Fund business has been delegated by Falkirk Council. The Committee is supported by the Pension Board to ensure that decisions are made in line with the rules of the Scheme and in accordance with good practice. More information on Fund Governance can be found on page 19. Information on Risk Management can be found on page 77.

Governance
All of the joint Pensions Committee and Board meetings were quorate and discussed a full diet of business, including Fund Investments, Business Continuity Plans for the Fund, the Annual Report and Accounts and Annual Audit Reports.

Full details of the Fund's Governance arrangements can be found on page 19 and in the Governance Compliance Statement.

Risk
An updated version of the Risk Register was approved by the Pensions Committee at its meeting on 14 March 2024. It documented the highest risks to the Fund as being climate change; succession planning; lack of knowledge from those responsible for governance; compliance failure; poor data and cyber security. One risk increased from

medium to high due to potential legal cases and future government policy which is beyond the Fund's control but could affect the Fund's funding position.

Two risks relating to the failure of a Fund employer and staff error or backlogs were downgraded. The risk attached to the failure of a Fund employer is in part mitigated by the low number of employers who could exit the Fund and the strong funding position of those employers.

A significant part of the risk register is devoted to investment risk given that it is critical to the Fund's ability to pay benefits and maintain stable employer rates. A myriad of risk elements go into the makeup of investment risk, including market risk, liquidity risk, currency risk, economic risk and political risk. These are all described in more detail in the Fund's Statement of Investment Principles. Clearly, the challenging economic environment, global unrest and market turmoil pose an increased level of investment risk for the Fund. However, we are confident that our governance arrangements, which link the Pensions Committee, the Chief Finance Officer, and the JIF, along with our diversification strategy, mean the Fund is well positioned to weather these headwinds.

Further details of key risks and mitigations can be found in the Risk Management section.

Funding strategy is set by the Pensions Committee with advice and guidance from Hymans Robertson, the Fund Actuary.

Accounting and financial control is undertaken in house by the Pensions Section using information from the various managers, Council internal financial systems and the Fund Custodian – Northern Trust.

Communications are delivered via:
- the Pension Fund website
- annual benefit statement
- pensioner payslip messaging
- ad hoc scheme benefit change notifications sent by post

Investment Arrangements
The Fund's investment strategy was reviewed in 2023/24, and a slight alteration was made to the strategic asset allocations and permitted ranges of the policy groups, with two policy groups renamed from LDI (liability driven investment) and Non-Gilt Debt to Sovereigns and Credit.

The revised strategy aims to leverage the Fund's strong funding position by reducing overall investment risk, through a 5% reduction in the weight of the Equity policy group and a 5% increase in the allocation to the Sovereigns policy group, while maintaining sufficient levels of investment return to deliver a long-term affordable employer contribution rate. A modest 2% allocation to the Cash policy group recognises the operational cash requirements of the Fund. The revised weightings have been determined following an asset/liability modelling exercise and are deemed appropriate in view of the Fund's improved financial position. The revised strategy was implemented with effect from April 2024, and the new investment strategy is set out in the table below:

Policy Group %	**Current Strategy**	**Current Permitted Ranges**
Equities	55	45 – 65
Real Assets	20	10 – 30
Credit	8	0 – 20
Sovereigns	15	5 – 25
Cash	2	0 – 15
Total	**100**	

During the financial year, the recommended advice for the Fund was to remain underweight in Equities and Credit and overweight in Real Assets, Sovereigns and Cash. The Fund also transitioned its monies in its Baillie Gifford fixed income mandate to cash while a new Credit Manager is selected. The Fund also fully divested its residual holdings in its global mandate with Newton to the SMuRV (Stable Multifactor Relative Value) mandate that is managed by LPFI Ltd.

Allocations to new and existing Real Asset managers continued to be made during the year.

The Fund also continues to work with Hermes EOS, as Engagement provider to the Fund, to ensure that the Fund's responsible investment principles in areas such as climate change and human rights are effectively argued.

For more information, see the Investment Policy and Investment Performance Sections of the Report.

Responsible Investing

In an everchanging world with conflicts and changing climate there is stakeholder and public interest in how the Fund's investments are made responsibly. Further details on how this approached are given in the Responsible Investment section.

The Statement of Investment Principles and Statement of Responsible Investment Principles (SRIP) set the objectives to earn an investment return which enables the Fund to pay pensions and to reduce the cost to employers of providing pension benefits. Importantly, it looks to do so as responsible investors with Environmental, Social and Governance (ESG) matters integrated within investment decisions. The management of ESG issues for the Fund is a question of identifying and mitigating material financial risks, not a question of ethics. During considerations in March 2025 the Pensions Committee noted that the introduction of ethics into the Fund's investment decision-making activities is very complex and Committee must understand the full implications of such an approach. Committee agreed to procure specialist advice on the matter. The procurement process is underway and a report to Committee will follow once the work is complete.

McCloud

In mid-2019, the Court of Appeal decided in the "McCloud" case that certain provisions of the LGPS introduced in 2015 to protect older members of public service pension schemes amounted to age discrimination. Since the hearing, Government and associated agencies have been considering how to remedy the situation and laid legislation governing the implementation of the remedy during 2023/24. The remedy came into force on 1 October 2023.

The chosen method of redress is to "level up" protections and extend the "statutory underpin" to a broader range of members. This is to be applied retrospectively to 1 April 2015 and will have cost and administration implications. A report commissioned from Hymans Robertson indicated that a potential 9,750 Falkirk members could be impacted if the likely remedy was adopted, requiring an additional 800 hours of resource to process.

When performing the 2023 triennial Valuation, the actuary valued liabilities on the basis that the expected solution, as articulated in SPPA's letter to Administering Authorities dated 28 April 2023, would be applied.

The Fund is now in the implementation phase and is proceeding to update the records of qualifying members. The work to ensure the statutory underpin is correctly reflected in the benefits paid to members is ongoing. In consequence, a decision was made to exercise the discretion allowed by the Local Government Pension Scheme (Remediable Service) (Scotland) (Miscellaneous Amendment) Regulations 2024 to not show the statutory underpin in the 2025 annual benefit statements issued to members.

The reasoning behind the non-inclusion of the McCloud remedy in the 2025 annual benefit statements was, in part, due to the lack of automation in applying the remedy and the late issue of outstanding GAD (Government Actuary Department) guidance in May 2025. This combined with the Government's guidance on how the remedy should be implemented meant that the level of manual intervention needed to isolate correct records required the Fund to step away from the prescribed guidance and prioritise benefit statement production.

Relationship with other Pension Funds

The Fund has a collaborative working arrangement on investment matters with the Lothian and Fife Pension Funds with the objective of delivering improved outcomes for Fund stakeholders through cost savings and quality of decision making. Savings come from investing collaboratively at scale and by being able to access private markets. In terms of the level of service received, the Fund has the reassurance that its assets are being monitored continually by the Lothian Pension Fund in house investment team (LPFI Limited) with strategic oversight coming from the Joint Investment Forum (JIF) which consists of two independent external advisers who are supported by qualified investment professionals from LPFI.

The Fund continues a shared service agreement with LPFI Limited, the regulated vehicle of Lothian Pension Fund. This provides the Fund with investment arrangement and advisory services and is the key to allowing the Fund to access investments in private markets. The Fund has an investment management agreement with LPFI Limited authorising them to manage the following mandates: a sovereign debt investment, a TIPS (Treasury inflation protected securities), GLOVE (Global Low Volatility Equities), SMuRV (Stable Multifactor Relative Value) and GHD (Global High Dividend).

The Fund has also entered into a shared service agreement with LPFE Limited, the employment vehicle of Lothian Pension Fund. Under this agreement, the Fund accesses specialist legal advice from the internal Lothian Pension Fund team on a range of investment and other pensions related matters.

Review of Scheme Structure
The Scheme Advisory Board (SAB) launched a review into the structure of the LGPS in Scotland during 2018. In response to the consultation, Falkirk supported a three Fund structure, recognising the potential for economies of scale and fee savings from a merged structure plus the prospect of a more resilient model to service the needs of contributors, pensioners, and employers.

Consultation responses were considered by the SAB during 2019 and since then the project group has researched and extensively analysed existing reports and information relating to the options for the future. A gap analysis of information which would be needed to develop a detailed business case for the various options has also been undertaken.

However, the SAB were asked by Scottish Ministers to pause work on the structure review until the outcome of the English and Welsh review of the ‘Pooling’ agenda. On 14 November 2024, the UK Government published its LGPS: Fit for the future consultation. The consultation sought views on proposals relating to LGPS investments by English and Welsh funds and the asset pooling, UK and local investment and governance for these funds.

In the meantime, Scottish Government and Scottish LGPS funds met at a one day conference on 25 March 2025 to start discussions on creating a sustainable future for the Scottish LGPS.

Scheme Changes
The Local Government Pension Scheme (Remediable Service) (Scotland) (Miscellaneous Amendment) Regulations 2024 came into force on 6 February 2025. These Regulations made various amendments to the Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014, following

their amendment by the Local Government Pension Scheme (Remediable Service) (Scotland) Regulations 2023 (“the 2023 regulations”), to correct minor errors and to align with the policy intention of the 2023 regulations. These Regulations also made various amendments to the 2023 regulations for similar purposes and modify the Local Government Pension Scheme (Scotland) Regulations 2018 in relation to annual benefit statements.

The Local Government Pension Scheme (Scotland) (Amendment) Regulations 2025 came into force on 2 April 2025. Regulation 61 of the Local Government Pension Scheme (Scotland) Regulations 2018 provides that an employer exiting the LGPS (Scotland) may in certain circumstances be liable to receive an exit credit from the relevant scheme administering authority. These regulations amend regulation 61 to provide a discretion for administering authorities to determine the amount of an exit credit, by having regard to the factors specified in new regulation 61(2F), in addition to the valuation and certificate which are to be obtained under regulation 61(2) when an employer exits.

Data Quality Standards

The Regulator requires that Funds take a pro-active approach to improving data quality. Accordingly, each year the Fund undertakes an annual data quality exercise in which Fund data is assessed against approximately 100 individual tests. The 2024/25 exercise disclosed that the Fund had a Common data score of 99% (98% in 2024/25) and a Scheme Specific data score of 92% (92% in 2023/24).

The biggest contributor to omissions in the Common data is address data. The quality of address data has been affected by the onboarding of the Fund’s two largest employers to monthly data uploads as incomplete address data is being uploaded and overwriting fund held data. A cleansing exercising will be undertaken during 2025/26 to work with the employers to improve their records. However, it is understood that some of the remaining gaps, such as those affecting the Scheme Specific data, reflect the way data has been collected historically and does not materially impact member benefits, although, we will continue to seek to improve these scores going forward.

Remuneration Report

There is no need for the Fund to produce a remuneration report, as the Fund does not directly employ any staff. All staff are employed by Falkirk Council, and their costs are charged directly to the Fund. Details of the remuneration of key management personnel can be found at Note 24a.

Outlook for 2025/26

The investment outlook is expected to continue to be very challenging for the Fund. The legacy of pandemic policy and the resulting spike in inflation which was exacerbated by Russia’s invasion of Ukraine and the war in Gaza, fuelled by the substantial increase to the cost of living has resulted in higher inflation index levels even if inflation rates have since declined. This series of events combined with the uncertainty brought by President Trump's second term of office and economic policies has thrown the Fund into a prolonged period of uncertainty.

While this concatenation of events brings challenges, the long-term nature of the Fund makes it uniquely positioned to weather these storms. The diversification of the Fund's assets, its income and prudent approach to investment means the Fund is under no pressure to become a forced seller of assets in these unpredictable times and, as the Fund matures and approaches the tipping point where it moves into a cashflow negative position, it can choose the style of the income-oriented strategy it adopts.

Administrative challenges will also continue during 2025/26 as the Fund seeks to complete the implementation the McCloud Remedy and onboard to the Pensions Dashboard.

The Fund is well positioned to connect to the Pensions Dashboard on its connection date of 31 October 2025. All of the Fund's employers now make monthly data submissions and Phase 1 of the onboarding process with the Fund's Integrated Service Provider (ISP) was completed in March 2025. Phase 2 which will see the Fund connect to the dashboard is expected to be completed in October 2025.

The Fund was also able to build on the improvements to member experience by rolling out the retirement modellers and benefit projectors in the member's online portal to all members. However, the current portal will come to the end of its life on 31 January 2026 and, as a result, the Fund will migrate to a new portal, Engage, during 2025.

Other projects designed to improve the Fund's digital and carbon footprint include the implementation of an enhanced workflow management tool. This could see a dual improvement in terms of member experience and efficiency to the processing of retirements and refunds as they become online processes that can be executed by members via the new online portal, Engage.

Following a competitive tender process, the Fund appointed a new actuary Barnett Waddingham who are expected to start providing actuarial services from Autumn 2025. The Fund will work on the smooth transition to the new provider over the coming months, recognising that significant preparatory work will be required for the 2026 Fund Valuation.

Despite the challenges on the horizon, the Fund remains in a healthy financial state and with a stable and experienced team in place to take forward a meaningful agenda for improvement.

Chair of the Pensions Committee	**Chief Executive of Falkirk Council**	**Chief Finance Officer of Falkirk Council**
Date:	**Date:**	**Date:**

Fund Governance

Overview
Falkirk Council is the Administering Authority of the Falkirk Council Pension Fund (the "Fund") and is responsible for ensuring that pension fund business is conducted both lawfully and in accordance with proper standards and that contributions from members and employers are invested prudently and properly accounted for.

Falkirk Council has delegated its pensions function to a Pensions Committee. Various operational and investment activities have been further delegated to the Chief Finance Officer. Fund business is overseen by a Pension Board set up to comply with the requirements of the Public Service Pensions Act 2013.

The governance arrangements for the Fund are explained in its over-arching Governance Policy which can be found on the Fund website. Governance arrangements are reviewed from time to time to ensure they remain relevant and effective.

Annual Governance Statement
The Local Authority Accounts (Scotland) Regulations 2014 require:

- Councils to conduct an annual review into the effectiveness of the systems of internal control; and
- Councils to include an Annual Governance Statement in the Annual Accounts.

The Annual Governance Statement describes the governance arrangements and internal controls operated by the Fund during the accounting year.

Governance Compliance Statement
Regulation 53 of the Local Government Pension Scheme (Scotland) Regulations 2018 requires the Fund to publish and maintain a Governance Compliance Statement, setting out how Fund business is conducted and how stakeholders are represented in the decision-making process. As required by Regulation 55, the Governance Compliance Statement is included in the Annual Accounts.

Pensions Committee
The Pensions Committee is responsible for the strategic management of the Fund's assets and the administration of members' benefits.

The Committee consists of nine members – six elected members from Falkirk Council and three members representing employer, member, and pensioner interests. The three co-opted members have full voting rights and full access to papers. The Committee meets at a minimum on a quarterly basis with meetings being held mostly in public session. During 2024/25, the Committee held four meetings, all of which were joint meetings with the Pension Board.

The Committee's main responsibilities are:

- to agree Fund governance arrangements
- to oversee Fund administration

- to establish and review Fund investment policy
- to agree the Fund's strategic asset allocation
- to monitor the implementation of Fund investment strategy
- to take proper advice in relation to investment matters
- to formulate and monitor a funding policy for the Fund
- to approve the Pension Fund Budget and monitor performance against budget
- to approve the Annual Report and Accounts
- to approve the Fund's audit plan
- to approve the Fund's training arrangements

The Committee is supported at its meetings by officers and professional advisers. The External Auditor attends some of the Committee meetings. Attendance is recorded in the meeting Minutes. All meetings are held hybrid and streamed on-line.

Committee Members	
Cllr Lorna Binnie (Chair of Pensions Committee)	Elected Member (Falkirk Council)
Cllr Anne Hannah	Elected Member (Falkirk Council)
Cllr David Aitchison	Elected Member (Falkirk Council)
Cllr Iain Sinclair	Elected Member (Falkirk Council)
Cllr Jim Flynn	Elected Member (Falkirk Council)
Cllr Robert Spears	Elected Member (Falkirk Council)
Cllr Bryan Quinn	Employer Representative (Clackmannanshire Council)
Mr Ewan Grant	Trade Union Representative (Unison)
Mr Rob Davis	Pensioner Representative

Committee Changes
Mr Ewan Grant replaced Mr Andy Douglas as the Trade Union Member Representative on the Pensions Committee and Mr Rob Davis filled the vacant Pensioner Representative position.

Details of the Committee members who are also members of the Scheme are given in Note 24.

Pension Board
In accordance with the Public Service Pensions Act 2013, a local Pension Board has been established since 1 April 2015 to assist the Scheme Manager (i.e. Falkirk Council) in securing compliance with the scheme rules and with the Pension Regulator's Codes of Practice.

The Pension Board comprises eight members - four Member and four Employer Representatives. This meets the requirements of both the Public Service Pensions Act 2013 and the Local Government Pension Scheme (Scotland)(Governance) Regulations

2015. The Board generally meets in conjunction with the Pensions Committee but can choose to meet on its own.

The Member Representatives are drawn from the membership of the three main Trade Unions representing Scheme members, namely Unison, Unite and GMB. The four employer representatives are drawn from the largest Scheduled Body Fund employers not already represented on the Pensions Committee and an Admitted Body employer. Board members are appointed for a four-year term but may be reappointed to serve a further term in accordance with agreed timescales.

The Board Chair rotates between the Employer and Member Representatives on an annual basis with the Chair passing from a Member Representative to an Employer Representative at the June 2024 joint meeting of the Pensions Committee and Pensions Board.

The Board Members at 31 March 2025 were as follows:

Board Members	
Mr Tony Caleary	Member Representative (Unison)
Mr Sandy Harrower	Member Representative (Unite)
Ms Nicola McCarter	Member Representative (GMB)
Mr David Wilson	Member Representative (Unison)
Ms Angela Milloy	Employer Representative (SEPA)
Mr Ross Mackenzie	Employer Representative (SCRA)
Ms Linda Divine	Employer Representative (Stirling Council)
Mr Andy Witty	Employer Representative (Colleges Scotland)

Board Changes
Ms Linda Devine was appointed to the Board on 14 August 2024 following the departure of Mr Martin Clark the Stirling Council Employer Representative. Mr Andy Witty of Colleges Scotland was appointed as an Employer Representative to the Board on 1 November 2024 following the departure of Ms Nicola Griffin of Strathcarron Hospice. Ms Nicola McCarter was appointed to the Board on 28 February 2025 following the departure of Mr Raymond Smith the GMB appointed Member Representative.

Details of Board members who are also members of the Scheme are given in Note 24.

Frequency of Meetings and Attendance
Good governance of the Fund relies on formal oversight meetings being regularly convened and attended by Committee and Board members. Members are, therefore, expected to attend the majority of all scheduled meetings.

During 2024/25, four meetings were scheduled. The table below gives details of the meeting dates and the individual attendance records of Committee and Board members during the year.

Meetings during 2024/25

Pensions Committee	Appointment Date	27/06/24	24/09/24	26/11/24	11/03/25
L. Binnie	05/05/2022	✓	✓	✓	x
I. Sinclair	05/05/2022	✓	✓	✓	✓
J. Flynn	05/05/2022	✓	✓	✓	✓
R. Spears	27/10/2022	✓	✓	✓	✓
A. Douglas	05/09/2013	x	n/a	n/a	n/a
B. Quinn	05/05/2022	x	✓	✓	✓
D. Aitchison	03/08/2021	✓	✓	✓	x
A. Hannah	19/08/2024	n/a	✓	✓	✓
E. Grant	21/08/2024	n/a	✓	✓	✓
R. Davis	19/08/2024	n/a	✓	✓	✓
Pension Board					
M. Clark	04/01/2024	✓	n/a	n/a	n/a
R. MacKenzie	16/06/2023	✓	✓	✓	✓
T. Caleary	17/02/2020	✓	✓	✓	✓
N. Griffin	19/10/2022	✓	n/a	n/a	n/a
D. Wilson	17/02/2020	✓	✓	✓	x
S. Harrower	26/06/2015	✓	x	✓	x
R. Smith	18/02/2021	✓	x	x	n/a
A. Milloy	16/06/2023	✓	✓	✓	x
L. Divine	14/08/2024	n/a	✓	✓	✓
A. Witty	14/08/2024	n/a	n/a	✓	✓
N McCarter	28/02/2025	n/a	n/a	n/a	✓

Training for those with Governance Responsibilities
The Fund's training policy recognises that those involved in the governance of the Fund should have the necessary level of skills and knowledge to allow them to carry out their duties effectively.

Training is normally provided through a variety of means, including:

- seminars and conferences offered by industry-wide bodies
- training as part of formal meetings provided by Fund officers and/or external advisers
- circulation of investment manager reports
- access to the Fund website and secure portal for up-to-date information

During 2024/25, training events were provided virtually and in person covering a wide range of topics from administration to investment and governance. Various members of the Committee and Board attended the following online or in person events:

1. In-house training – including new member induction and general Committee and Board training
2. Online training plus Investments and Pensions Summits hosted by LGC and other organisations such as LAPFF Strategic Investment Forum
3. External training provided by LPFI such as asset class training and fiduciary duty training

The number of hours training undertaken by each member of the Committee and Board under the above groupings is set out in the table below:

Pensions Committee	**In-house training**	**Conferences and online training**	**External training**	**Total**
L. Binnie	2	18	3	**23**
I. Sinclair	2	0	3	**5**
J. Flynn	2	0	3	**5**
R. Spears	2	0	3	**5**
A. Douglas	n/a	n/a	n/a	**n/a**
B.Quinn	2	0	3	**5**
D. Aitchison	2	0	3	**5**
A. Hannah	4	2	3	**9**
E. Grant	4	0	3	**7**
R. Davis	4	0	3	**7**
Pension Board				
M. Clark	n/a	n/a	n/a	**n/a**
R. MacKenzie	2	0	3	**5**
T. Caleary	2	31	3	**36**
N. Griffin	n/a	n/a	n/a	**n/a**
D. Wilson	2	7	3	**12**
S. Harrower	2	11	3	**16**
R. Smith	0	0	0	**0**
A. Milloy	0	0	3	**3**
L. Divine	2	2	3	**7**
A. Witty	2	6	n/a	**8**
N. McCarter	2	n/a	n/a	**2**

Senior officers continued to attend online and in person events covering a broad spectrum of issues affecting the LGPS, such as, investments, cybersecurity, data protection, risk, creating a sustainable Scottish LGPS, the McCloud Remedy, Pensions Dashboard and good governance.

Training arrangements for 2025/26 are expected to be provided both online and in person.

Conflict of interests
A conflict of interest occurs where a financial or other interest exists which is likely to prejudice the way a person exercises their functions as a member of the Committee or Board. This does not include a financial or other interest arising merely by virtue of being a member of the scheme.

The standards expected of Committee and Board members are set out in the Fund's Conflict of Interest Policy (see Appendix 3).

There is a standing agenda item at each Pensions Committee and Board meeting for members to declare such interests. Any declarations are recorded in the minutes.

Freedom of Information, Accountability and Transparency
Pensions Committee agendas, reports and minutes are published on the Falkirk Council website.

Pensions Committee meetings are open to members of the public (with the exception of commercially sensitive items which are taken as private business).

During 2024/25, the Fund responded to 29 Freedom of Information requests (32 in 23/24), the majority of which related to the composition of the Fund's assets.

Documentation
The minutes of Pensions Committee and Board meetings can be found on the Falkirk Council website www.falkirk.gov.uk by accessing the Meetings Schedule for the Pensions Committee.

Other documents pertaining to Fund Governance can be viewed or downloaded from the Pension Fund website www.falkirkpensionfund.org including:

- Annual Report and Accounts
- Funding Strategy Statement
- Governance Framework Document
- Statement of Investment Principles
- Statement of Responsible Investment Principles
- Valuation Reports

Funding Strategy Update

Overview
The Funding Strategy Statement is the formal record of how the Fund will meet its obligations to pay benefits. It contains details of the Fund's funding objectives, including its approach to balancing the conflicting aims of prudence and contribution rate affordability. The Funding Strategy Statement is intended to give stakeholders, and employers in particular, reassurance that individual funding positions are being determined in a fair and consistent manner. It also demonstrates to regulators that a prudent approach is being taken to funding liabilities and that rates are being set with regard to inter-generational fairness.

Following consultation with Trade Unions and Fund Employers, a revised version of the Funding Strategy Statement was agreed by the Pensions Committee on 14 March 2024. The funding objectives were largely unchanged from the previous version of the document and specify that the Fund should:

- have a high likelihood of holding enough assets to meet future benefit payments over the long-term
- target a funding level of 100% (i.e. assets = liabilities) over a 20-year period
- allow a maximum period of 20 years for employers to repair any funding deficit
- provide stability and affordability of employer contributions
- hold sufficient cash to meet immediate benefit commitments

The main change to the Funding Strategy Statement was the creation of two policies. The first sets out the Fund's approach to cessation valuations for employers wishing to leave the Fund and the second sets out when the Fund may consider an inter-valuation review of employer contributions.

The Funding Strategy Statement is the key reference point used by the actuary when undertaking the three yearly Fund valuations. For the 2023 valuation, as set out in the strategy statement, the actuary continued to take a risk-based approach to setting contribution rates by having regard to:

- the money each employer needed to hold in order to pay benefits ("funding target")
- the time period over which full funding is to be targeted for employers ("time horizon")
- the probability of the funding target being met by the end of the time horizon taking account of the nature of the organisation.

In broad terms, the funding strategy requires that there should be at least a 75% chance of an employer being fully funded or better at the end of their time horizon.

The Funding Strategy also permits contribution increases (and decreases) to be implemented on a graduated basis for employers that are deemed very low risk (i.e. Government backed or with tax raising powers). This facility known as the "contribution rate stability mechanism" helps minimise the budgeting issues that can arise for employers from sharp changes in contribution rate levels. However, due to the strong funding position of the Fund, employer contribution rates were fixed for the period 1 April 2024 to 31 March 2027.

The Funding Strategy is instrumental in setting employer contribution rates and in influencing investment strategy. The employer contribution rates for 2024/25 were set by reference to the 2023 Valuation and Funding Strategy in force at that valuation. The material difference between the previous and current funding strategies is an increase to the prudence taken in the current funding strategy. This strengthens the ability of the employer to meet its pension obligations by requiring that there should be at least a 75% (previously 70%) chance of an employer being fully funded or better at the end of their time horizon.

The Funding Strategy is set with the intention of delivering a successful outcome for the Fund over the longer term and is designed to be sufficiently robust to withstand short term market swings.

Actuarial Update

Overview
The solvency of the Fund is assessed on a regular basis. A formal funding valuation is carried out every three years by an independent actuary to determine how much money needs to be paid by employers to allow benefits to be paid now and in the future. The Fund also asks the actuary to provide an estimate of the funding position at each year end based on the valuation assumptions.

The most recent formal valuation took place on 31 March 2023 and set the contribution rates to be paid by employers for the three years from 1 April 2024 to 31 March 2027. The valuation work was undertaken during 2023/24 by the Fund Actuary, Hymans Robertson, and reported to the Pensions Committee in March 2024. The most recent estimates are summarised in the Actuarial Statement for 2024/25 which is set out in Appendix 1.

A separate estimate of the funding position is undertaken each year by the Fund Actuary. This is based on prescribed assumptions which comply with IAS26 accounting requirements and is not relevant to the Fund's long-term funding strategy. Details of the IAS 26 valuation at 31 March 2025 can be found in Note 20.

Funding Position
The results of the 2023 valuation disclosed a funding level of 137%, meaning that the Fund had the monies needed to pay the benefits members had accumulated at 31 March 2023. This represented a significant improvement on the 2020 funding position of 94%. The table below shows, a more recent funding estimate as at 31 March 2025 which indicates that the position has improved from 2023. Whilst an estimated funding level of 162% is very positive, it should be stressed that the funding level is a very volatile metric. What is important to the Fund is having a strategy which gives it a strong probability of being able to meet its long-term funding commitments and that it has an investment strategy and funding strategy in place to achieve this goal.

	2020 Valuation	2023 Valuation	**2025 Estimate**
Assets	£2,329m	£3,195m	**£3,610m**
Liabilities	£2,481m	£2,330m	**£2,220m**
Funding Surplus / (Deficit)	(£152m)	£865m	**£1,390m**
Funding Level	94%	137%	**162%**

For the avoidance of doubt, the estimated 2025 Fund liability of £2,220m does not appear in the financial statements. This is because the number includes an estimate of future payments to be made from the Fund, whereas the financial statements only take account of the Fund's obligations to pay pensions as at 31 March 2025.

Funding Assumptions

In estimating the March 2025 funding position, the actuary has made judgements about both assets and liabilities.

For assets, the actuary has taken account of cash flows and investment returns from the last valuation date. For liabilities (i.e. the money the Fund needs to hold to meet its benefit commitments) the sum assessed by the actuary is somewhat less than the total of all future benefit payments owing to the fact that the actuary assumes – prudently – that the Fund will achieve a return on its investments in the future.

Further relevant assumptions made are:

	2023 Valuation	**2025 Estimate**
Assumed future investment return (based on 75% likelihood of success)	5.1%	**6.2%**
Salary increase assumption	2.8%	**2.8%**
Pension increase assumption	2.3%	**2.3%**

The increased cost of Government borrowing has led to best estimates of investment returns being revised upwards.

The salary increase assumption still has some has significance because wage inflation impacts the final salary benefits of members with pre 2015 rights, although this assumption assumes less importance as time moves on due to members with pre 2015 rights becoming pensioners.

The pension increase assumption is relevant because benefits in payment are increased in line with inflation as determined by rises in the Consumer Price Index.

Mortality assumptions are unchanged from the 2023 valuation. Mortality rates are reassessed at each three yearly valuation and draw on the analysis of Fund longevity experience built up through participation in Club Vita.

Changes since the 2023 valuation

The estimated funding results are dependent on a number of factors including the membership details, current financial conditions, the outlook for future financial conditions and demographic trends such as longevity. Changes in any of these factors can have a material impact on the results.

The improvement in the past service funding has been partly driven by the reduction in the present value of promised retirement benefits which stood at £2,667m at 31 March 2023 and £2,530 at 31 March 2025. However, most market commentators agree that there is still considerable uncertainty around the future economic outlook arising from President Trump's second term of office and continued world conflict, readers should view the funding level – a volatile metric at the best of times - with caution and in the context of the wider economic environment.

The change in funding position from a small deficit at 31 March 2020 to a surplus at 31 March 2023 is mainly derived from the improvement in gilt yields. The actuary has indicated that the likelihood of the Fund having sufficient assets to meet benefit payments has improved from 70% at the 2020 valuation to 75% at the 2023 valuation. The impact of the improved asset position has, however, been slightly tempered by an increase in the cost of benefit provision which is mainly due to higher long-term inflation expectations.

Details of the actuarial assumptions and method adopted for the 2023 Valuation are contained in the link to the Valuation Report (see Appendix 3).

Financial Performance

Overview
This section reports primarily on the Fund's income, expenditure, and cash flows during 2024/25.

Annual Budget
The Pensions Team prepares a Fund Budget for review and approval by the Pensions Committee. The budget focuses on controllable expenditures and so excludes benefit payments, contributions received and transfers in and out of the Fund. The investment costs do not take account of fees deducted directly from capital. As a result, the actual investment management costs in the table below do not reconcile to Note 11.

A summary of the actual and budgeted expenditure for 2024/25, together with the budget for 2025/26, is set out below. More information about Fund costs is given in Note 11 and 11a.

	Budget 2024/25	Actuals 2024/25	Variance 2024/25	Budget 2025/26
Benefits administration	£	£	£	£
Employee expenses	939,610	792,622	(146,988)	990,400
IT Costs	408,320	403,092	(5,228)	508,330
Projects	110,000	5,640	(104,360)	40,000
Payslips and postage	45,000	58,730	13,730	70,000
Other	55,400	50,955	(4,445)	58,900
Benefits administration Total	**1,558,330**	**1,311,039**	**(247,291)**	**1,667,630**
Oversight and governance costs				
Employee expenses	285,080	125,979	(159,101)	309,580
Investment advice (inc. external)	295,500	212,234	(82,766)	332,800
Infrastructure deals & property advice	515,000	369,629	(145,371)	725,140
Actuarial fees	140,000	102,887	(37,113)	140,000
Engagement services and voting	90,000	89,106	(894)	90,000
Tax advice and legal fees	70,000	14,439	(55,561)	90,000
Performance measurement	140,000	131,672	(8,328)	140,000
Other	134,710	100,607	(34,603)	137,310
Oversight & governance Total	**1,670,290**	**1,146,553**	**(523,737)**	**1,964,830**
Investment management costs				
Managers fees	4,810,500	3,551,485	(1,259,015)	3,461,530
Custodian costs	150,000	156,744	6,744	160,000

Aborted deal costs	75,000	0	(75,000)	75,000
Other	5,000	10,936	5,936	5,000
Investment management Total	**5,040,500**	**3,719,165**	**(1,321,335)**	**3,701,530**
Pension Fund Total	**8,269,120**	**6,176,757**	**(2,092,363)**	**7,333,990**

The main variances between the budgeted and actual amounts for 2024/25 related to:

Cost category	Under/Over spend	Comments
Benefits administration	Underspend	Savings from staff costs resulting from the time lag between vacancies arising and being filled. Project implementation costs (related to Pensions Dashboard and the McCloud remedy) were contained within IT expenses.
Oversight and governance	Underspend	Staff savings due to longer than expected process of creating additional posts. Savings from a reduction in the need for external investment and tax advice as well as recharges from Lothian being lower than budgeted.
Investment management	Underspend	Savings in manager fees due to moving equity mandate from Newton to LPFI and liquidating holdings in Baillie Gifford Sterling Aggregate Fund. Fees are set as % of the asset value and due to market movements actuals will always differ from estimates.

The budget for 2025/26 represents a decrease of £935k from the 2024/25 budget. The main changes are:

Cost category	Increase or Decrease	Comments
Benefits administration	Increase	The budget accounts for pay awards inflationary increase to IT costs and expenses associated with preparing the Fund for "being Dashboard ready".
Oversight and governance	Increase	The budget takes into account pay award and increase in recharges from Lothian Pension Fund for dealing, advice and monitoring of Infrastructure and Property portfolios.
Investment management	Decrease	Decrease in fees due to additional equity mandate being now managed by LPFI.

Contributions made to the Fund in 2024/25
During 2024/25, employees and employers paid the following contributions:

Employer Name	Employees in £'000	Employers in £'000
Central Scotland Joint Valuation Board	111	361
Clackmannanshire Council	3,040	10,087
Falkirk Council	8,980	31,330
Forth Valley College	672	2,181
Police Scotland	446	1,617
Scottish Fire & Rescue*	25	77
Scottish Childrens' Reporter Administration	1,210	3,329
SEPA	3,731	10,598
Stirling Council	5,621	19,660
Total Scheduled Bodies	**23,836**	**79,240**
Active Stirling Trust	187	424
Amey	5	-
Colleges Scotland**	43	218
Cowane's Hospital	8	34
Cromwell European Mgmt Services Ltd	4	-
Dollar Academy Trust	155	477
Forth & Oban Ltd (Falkirk schools)	18	-
Forth & Oban Ltd (Stirling schools)	35	-
Haven Products Limited	4	-
Smith Art Gallery	7	23
Strathcarron Hospice	505	1,591
Water Industry Commission	123	364
Total Admitted Bodies	**1,094**	**3,131**
Fund total (see Note 7)	**24,930**	**82,371**

*Scottish Fire and Rescue transferred to Strathclyde Pension Fund on the 31st of October 2024
** includes deficit contribution

The total pensionable pay of members on which contributions were levied was £407m (£389m for 2023/24). This means that average member contributions were 6.1% of pay (6.1% in 2023/24) and average employer contributions (exc. deficit repayment) were 19.0% (22.6% for 2023/24).

During the year, there were 2 instances of employers failing to remit contributions by the due date (3 in 2023/24). None of these circumstances were deemed material and no interest for late payment was charged.

Cashflow
This represents the net inflows and outflows to the Fund in respect of dealings with members. It does not take account of income derived from the Fund's assets, such as dividends, recoverable taxes, etc.

Cash Flow Table (Net withdrawals / additions from dealing with members)

	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Inflows Contributions and transfers from other pension funds	98,558	105,815	115,312	108,456	120,049
Outflows Benefits and payments to and on account of leavers	92,853	90,357	100,968	116,941	137,868
Net cash flow	**5,705**	**15,458**	**14,344**	**(8,485)**	**(17,819)**

The analysis of flows in and out of the Fund show that Fund remained in a positive cash flow position till 2022/23. The Fund went into negative cash flow in 2023/24 due to exit credits being paid to two former Scheme employers and remained in negative cash flow during 2024/25 due to the Scottish Fire and Rescue Service exiting the Fund with an asset transfer payable to Strathclyde Pension Fund.

Contributions into the Fund increased due to annual salary increases and higher transfers from other pension funds. However, the increase was offset by Scottish Fire and Rescue Service transferring to Strathclyde Pension Fund. The increase to benefit payments reflected the higher aggregate number of pensioners receiving benefits. The longer-term cashflow trend is predicted to become negative due to the reduction in employer contribution rates following the 2023 valuation and the increasing ratio of pensioner and deferred members to active members.

Pension Payments and the National Fraud Initiative

The primary outlay of the Fund is the regular payments made to pensioner members. To help ensure that pensions are only paid to members with an ongoing entitlement, the Fund participates in the National Fraud Initiative (NFI). This is a data matching exercise conducted every two years by the Cabinet Office to detect fraud and irregularities in various areas of public finance.

The Fund participated in the exercise during 2024/25 with the results indicating that there are seven cases where pensioner deaths had not been notified resulting in an overpayment. The seven cases were identified as having an overpayment and work to confirm and recover any overpaid pension is ongoing with the total potential overpayment of £14,402.29. The exercise is expected to be undertaken again in 2026/27.

Conclusions

Fund expenditures were lower than budgeted, largely due to invoiced investment management fees being lower than anticipated. All employers paid their certified pension contributions by 31 March 2025.

Scheme Administration

Overview
This Section reports on the administrative activities undertaken by the Pensions Team during 2024/25. It includes:

- Key Performance Indicators 2024/25
- How the Administration function is organised
- Value for Money Statement
- Membership Information
- Administration Activity and Performance
- Communications
- Administration Outlook for 2025/26

Key Performance Indicators 2024/25
The aim is to provide an efficient and cost-effective administration service that meets stakeholders' needs. Performance is measured through a series of indicators:

Key Performance indicators 2024/25	Target	Actuals
Audit of Annual Report and Accounts 2024/25	Unqualified	Met Target
Benefit Statements issued by 31 August 2024	100%	96%
Contributions received within statutory deadline	100%	99%
Retirement lump sums paid within 15 days	90%	73%
Monthly Pensioner Payroll Paid on time	100%	100%
Pensions Increase processed with April Pension	Meet Target	Met Target
P60 documents issued by end May	Meet Target	Met Target

How the Administration function is organised
Administration is undertaken by the in-house Pensions Team, which is managed by the Pensions Manager who, in turn, reports to the Chief Finance Officer.

Staffing
The team has 25.8 budgeted full-time equivalent posts (including vacancies) and is headed by the Pensions Manager. In addition to benefits administration, staff members undertake governance, accounting, and investment related activities. As of 31 March 2025, the Team was made up of:

Pension Manager (1FTE)				
Accounting Team	Maintenance Team 1	Maintenance Team 2	Systems & i-Connect	Payments Team
1.37 FTE	4.00 FTE	3.40 FTE	4.00 FTE	5.21 FTE

Record Maintenance
Membership data and scheme records are maintained by the internal Pensions Team using the industry standard computerised pensions administration system (Altair) which

is used by all LGPS Funds in Scotland. The system is reviewed regularly by Heywood, the software vendor, and upgrades are provided regularly to ensure system compliance and improvement. Upgrades are subject to peer testing by a testing user group before being deployed.

All staff are required to complete online Data Protection and cybersecurity training annually as part of the Fund's commitment to ensuring that member data is held securely, and that confidentiality is respected. No data security incidents took place during 2024/25.

Systems
The Pension Team use the IT platforms and infrastructure provided by the ICT section of the Council.

All staff have access to laptops, essential hardware and operating systems.

In addition to normal laptop/desktop software, the key systems used by the team are:

System	**Purpose**
Altair	Pension administration and pensioner payroll
I-Connect	Software Application allowing monthly electronic data submission by employers
Insights	Software application that enables administrators to extract information and create reports from data held in Altair
SharePoint	A Microsoft application that allows the Fund to communicate securely with participating employers
Integra	Financial Information System
Bankline (RBS)	Fund Banking

Value for Money Statement
Value for Money describes whether an organisation has been efficient, effective and economically competent in delivering a particular service or function. This helps better identify areas where improvements can be made.

The Fund strives to deliver value for money by monitoring:

- costs against budget (see page 30)
- year on year total and unit costs (see table on the next page)
- performance statistics (see page 34)
- success in completing key activities (see page 41)
- investment cost through benchmarking (see page 37)

The Fund's total unit costs per member in 2024/25, split across the cost categories of investment management, administration and oversight and governance (see Note 11) were as follows:

	2020/21	2021/22	2022/23	2023/24	2024/25
Investment management expenses					
Total cost in (£000)	17,148	16,914	18,465	15,301	14,362
Total membership numbers	35,929	36,978	38,563	38,899	39,787
Sub cost per member £	**477.27**	**457.41**	**478.83**	**393.35**	**360.97**
Administration costs					
Total cost in (£000)	960	984	1,260	1,246	1,311
Total membership numbers	35,929	36,978	38,563	38,899	39,787
Sub cost per member £	**26.72**	**26.61**	**32.67**	**32.03**	**32.95**
Oversight and governance costs					
Total cost in (£000)	1,035	1,014	1,026	1,219	1,147
Total membership numbers	35,929	36,978	38,563	38,899	39,787
Sub cost per member £	**28.81**	**27.42**	**26.61**	**31.34**	**28.83**
Total cost per member £	**532.80**	**511.44**	**538.11**	**456.72**	**422.75**

Comment on Costs:

- Administration costs have increased in comparison with the previous year due to an increase in staff wages and IT expenses.
- Oversight and governance costs have decreased in comparison with previous years. The total costs have decreased by 6% and the increase in membership reduced the cost per member. These costs cover collaboration with Lothian Pension Fund including deal sourcing and monitoring for Infrastructure, Private Debt and Property mandates. This reflects a switch from more expensive fund of funds structures to sourcing investments in conjunction with Lothian. This switch results in lower investment fees but higher oversight and governance fees due to Lothian for their research and due diligence work.
- Investment management costs have decreased by £0.94m from the 2023/24 level. The decrease relates mainly to transaction costs related to the pooled investments. The Fund now holds less assets in the pooled investment vehicles as they have moved to segregated mandates managed by LPFI. A further breakdown can be found in Note 11a.

LGPS Code of Transparency

The LGPS Code of Transparency is a project that has been evolving for the past few years with the aim to provide Funds with comprehensive data on investment costs including fees that have been both invoiced and deducted from capital. It builds on work undertaken by the Investment Association, the Pensions and Lifetime Savings Association and the England and Wales LGPS Scheme Advisory Board. Under the Code, managers are providing cost information in a standardised format using templates established under the Cost Transparency Initiative (CTI) and uploading these to a secure portal.

Participation in the Code is voluntary; however, the expectation is that managers will participate. Participation is expected to be a condition of any new manager appointments. For 2024/25, the Fund has continued to use CTI templates to collect cost data about its pooled investments (e.g. Baillie Gifford Bonds, Legal and General's Passive Equity Funds, Pictet).

In line with last year, the Fund has, where possible, disclosed the investment management costs reported by managers through the Cost Transparency Initiative (CTI). These costs include fund managers fees as well as costs charged to capital.

Investment Cost Benchmarking
In 2024/25, the Fund participated in a cost benchmarking exercise undertaken by specialist firm CEM. CEM is an independent global benchmarking company with a database of 525 global pension funds, representing $14.5 trillion in assets. Participation allows Fund investment costs to be compared with a range of LGPS and non-LGPS peer comparators. The work is done one year in arrears, so the information reported below relates to the Fund's investment cost data for 2023/24. The Fund returns were compared with 42 global peer funds ranging from £1.5bn to £4.4bn.

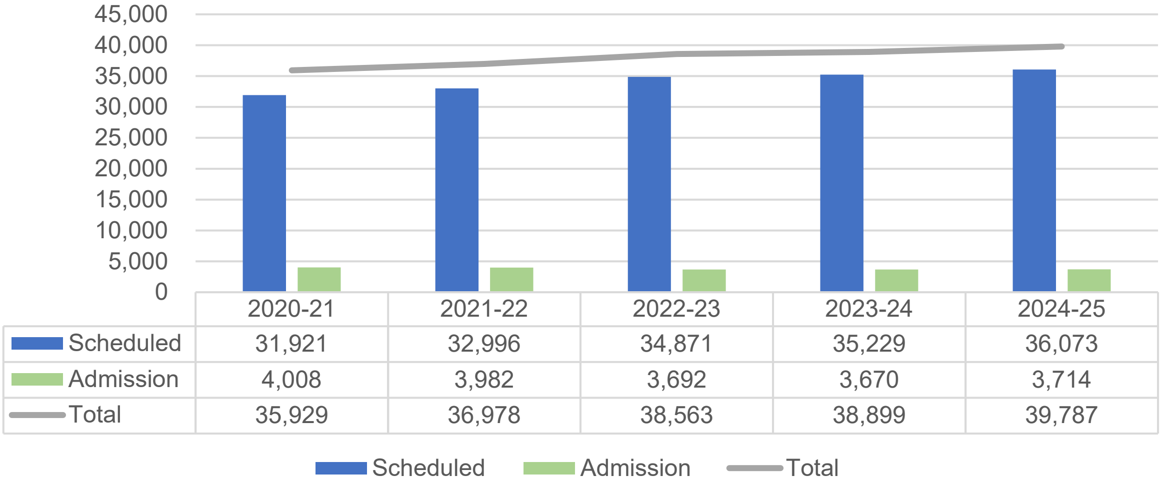
The results showed the Fund's costs as 47.5 basis points of invested assets, which was below the Fund's benchmark cost of 63.4 bps.

Over the past 5-year period the costs had fallen from 69.7 bps in 2020 to 47.5 bps in 2023/24. The 5-year net total return of 6.6% was equal to the CEM LGPS median of 6.6%.

Analysis of investment costs remain a complex subject matter where specialist expertise is essential to understand data and reach informed conclusions.

Membership Information
Fund membership numbers change as individuals join or leave the Scheme as part of normal staffing turnover. From time to time, more significant membership movements can occur from factors such as recruitment freezes, workforce reshaping, employer exits, staff transfers, and Government initiatives (e.g. auto enrolment).

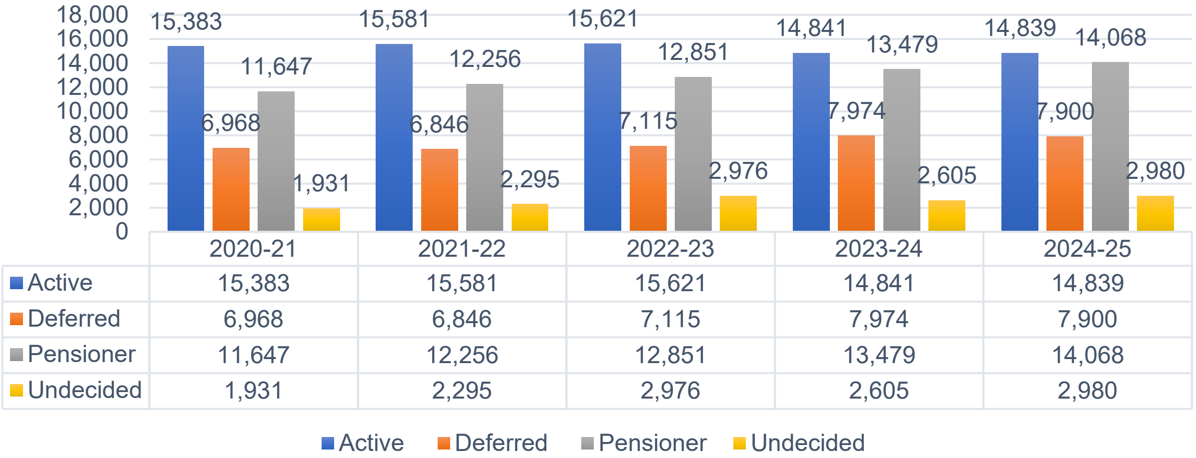
The first chart in this section shows how total Fund membership (active, deferred, pensioner and undecided members) has changed over the past 5 years split between Scheduled and Admission Bodies. It shows that total membership over the past 4 years has increased at an average of around 2.6% p.a. It also indicates that 91% of scheme members in the Fund work for Scheduled Bodies.



	2020-21	2021-22	2022-23	2023-24	2024-25
Scheduled	31,921	32,996	34,871	35,229	36,073
Admission	4,008	3,982	3,692	3,670	3,714
Total	35,929	36,978	38,563	38,899	39,787

Source: Falkirk Council Pension Fund

The next chart breaks down total membership into its constituent parts, namely active, deferred, pensioners and undecided members.



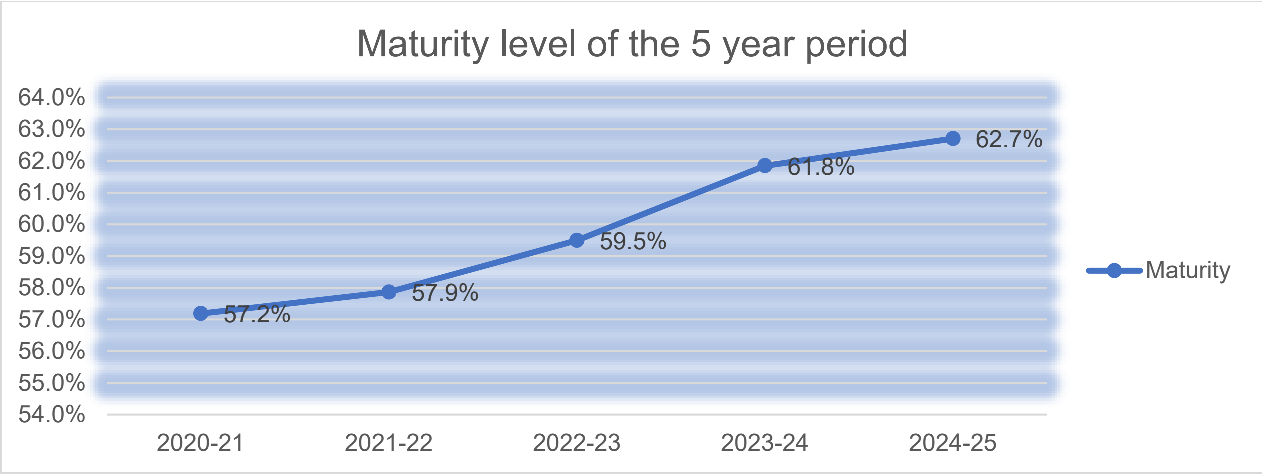
	2020-21	2021-22	2022-23	2023-24	2024-25
Active	15,383	15,581	15,621	14,841	14,839
Deferred	6,968	6,846	7,115	7,974	7,900
Pensioner	11,647	12,256	12,851	13,479	14,068
Undecided	1,931	2,295	2,976	2,605	2,980

Source: Falkirk Council Pension Fund

The chart shows that as of 31 March 2025 there was an increase across 2 membership groups for pensioner and undecided members and a decrease in active and deferred groups. A small number of these changes are due to one of the employers moving to another Fund. The increase in undecided leavers has primarily been driven by the information flow from the monthly data uploaded via i-Connect. If a member changes their post, the system automatically changes the member’s status to undecided leaver and creates a new record for ongoing service which requires manual aggregation to return the member to one active record for past and ongoing service.

However, the number of pensioner and deferred members has been increasing steadily over the past 5 years in line with the maturing life cycle of the Fund.

A metric helpful in determining the degree of Fund maturity is the ratio of non-active members to total members. The chart below, shows a steady increase in the maturity level over the years. Changes to the contribution rates following the 2023 valuation and increase in maturity ratio, will impact on the Fund's cash flow.



Source: Falkirk Council Pension Fund

Analysis of Scheduled and Admission Bodies
The number of employers with a continuing interest in the Fund as at 31 March 2025 is as follows:

Type of Employer	**Open**	**Closed to new members**	**Total**
Scheduled Bodies	8	0	**8**
Admitted Bodies	9	3	**12**
Total	**17**	**3**	**20**

A full list of Fund employers can be found at Appendix 2.

Analysis of New Pensioners during 2024/25

Retirement type	
Late retirement	127
Normal	525
Flexible retirement	61

Efficiency	61
Redundancy	0
Ill health	72
Total	**852**

n.b. flexible retirement occurs when an individual retires from their post but continues working with the same employer in a materially reduced capacity.

Administration Activity and Performance

The overriding objective of the administration team is to operate the provisions of the Local Government Pension Scheme in an efficient and cost-effective manner.

This encompasses a broad range of activities, including:

- new member enrolment
- transfers in
- contributions
- scheme membership and pensionable earnings
- added contribution and AVC requests
- estimates
- early leaver refunds, transfers out and deferred benefits
- retirement benefits
- pension payments and HM Revenue compliance
- death grants
- survivor benefits
- information, guidance and employer liaison
- communications materials
- benefit statements production
- pensioner payroll
- cessation valuations
- disputes resolution

Project work undertaken in 2024/25 included:

- Implementation of the McCloud remedy
- preparation for onboarding to the Pensions Dashboard
- investigating the results of the biennial National Fraud Initiative

Provisions around the concurrent membership, aggregation of member rights, assumed pensionable pay, certificates of protection, and Lifetime and Annual Allowance continue to be the most challenging and resource intensive areas.

Performance Information
Performance Indicator – Volume and Completion Rate

	New member enrolment	Estimate requests	Retirements from active status	Other transactions
Cases in scope				
2019/20	1,378	618	364	14,007
2020/21	1,236	607	357	11,640
2021/22	1,898	1036	451	13,566
2022/23	3,046	1021	505	19,987
2023/24	1,719	1089	545	16,141
2024/25	**2,032**	**994**	**519**	**17,333**
Cases completed by year end				
2019/20	1,361	578	312	12,788
2020/21	1,187	528	316	10,456
2021/22	1,870	801	403	12,104
2022/23	3,039	842	452	17,757
2023/24	1,652	934	447	14,715
2024/25	**1,968**	**885**	**412**	**15,442**
Cases due at year end				
2019/20	17	40	52	1,219
2020/21	49	79	41	1,184
2021/22	28	235	48	1,462
2022/23	7	179	53	2,230
2023/24	67	155	98	1,426
2024/25	**64**	**109**	**107**	**1,891**
Completion rate				
2019/20	99%	93%	86%	91%
2020/21	96%	87%	88%	90%
2021/22	98%	77%	89%	89%
2022/23	99%	82%	89%	89%
2023/24	96%	86%	82%	91%
2024/25	**97%**	**89%**	**79%**	**89%**

Performance Indicator – Timescales

	New member enrolment	Estimate requests	Retirements from active status	Other transactions
KPI	**21 days of being advised**	**1 month**	**15 days from all information**	**1 month**
Cases in scope				
2019/20	1,361	578	312	12,788
2020/21	1,187	528	316	10,456
2021/22	1,870	801	403	12,104
2022/23	3,039	842	452	17,757
2023/24	1,652	934	447	14,715
2024/25	**1,968**	**885**	**412**	**15,442**
Cases meeting target				
2019/20	721	380	295	9,806
2020/21	870	336	302	9,157
2021/22	1,250	471	375	10,692
2022/23	2,562	523	374	15,327
2023/24	1,405	664	406	13,478
2024/25	**1,477**	**670**	**302**	**13,733**
Completion rate				
2019/20	52%	66%	95%	77%
2020/21	73%	64%	96%	88%
2021/22	67%	58%	93%	88%
2022/23	84%	62%	83%	86%
2023/24	85%	71%	91%	91%
2024/25	75%	75%	73%	89%

Other transactions cover an array of member related activities such as letters, transfer requests, changes of address, nominations, etc. The increase in other transactions from 2022/23 was attributable to the introduction of the Altair Workflow module and the on-boarding all employers to the i-Connect platform.

The administration team is continuing to build up the range of performance statistics available with a view to improving transparency and member outcomes.

Internal Disputes Resolution Procedure

Where members have a concern that cannot be resolved through liaison with the Pensions Team, the Fund operates a two stage Internal Disputes Resolution Procedure (IDRP) which allows complaints to be considered by an independent third party and subsequently by Scottish Ministers. Dispute application forms can be obtained from the Pensions Team.

The Fund has a reciprocal arrangement with the Strathclyde Pension Fund whereby Falkirk appeals are adjudicated upon by their Chief Pensions Officer and Strathclyde's appeals are adjudicated upon by the former Pensions Manager at Falkirk. Appeals can also be heard by a person appointed by Fund employers to hear such appeals.

Members whose complaints are not satisfied through IDRP may ultimately appeal to the Pensions Ombudsman. The Money and Pensions Service, formerly the Pensions Advisory Service, may be contacted by the member for guidance at any point in the appeal process.

Contact information for the Ombudsman and the Money and Pensions Service are as follows:

Money Helper which is provided by the Money and Pensions Service	0800 011 83797	Money Helper
Pensions Ombudsman	0800 917 4487	The Pensions Ombudsman

Communications
Members and employers can obtain information about the scheme by contacting the Pensions Team in writing, by telephone or by e-mail. Contact details can be found on page 6.

In a move to reduce the Fund’s carbon emissions, cost and increase accessibility through digitisation, pensioners receive a paper pension advice slip in the months of April and May to publicise the effect of the April pensions increase. For other months, pensioners have the option of viewing their slip online or receiving paper.

The Fund’s website - www.falkirkpensionfund.org - contains guides and information about various aspects of the LGPS and the Fund. Topical items are uploaded to the News Section.

As well as the website, wider communication is achieved through emails, publication of committee minutes, annual newsletter and the payslip messaging facility. The range of subject matter includes actuarial issues, benefits, regulatory changes and investment performance.

Administration Outlook for 2025/26
In the year ahead, the Administration Team expect to undertake developments in the following areas:

- McCloud and Goodwin remedies

- Implementation of Altair Workflow
- The National Fraud Initiative
- Onboarding to the Pensions Dashboard
- Migration of the members' online portal to Engage

Investment Market Review

For the 12 months to 31 March 2025, global equities, as measured by the MSCI ACWI index, returned 4.9% in sterling terms (source: MSCI) with the period characterised by bouts of heightened market volatility. In early August, equities sold off after the Bank of Japan (BoJ) unexpectedly raised rates, with the Japanese index experiencing a 20% fall in a matter of days. Markets subsequently recovered to perform strongly through to the end of the year, following Donald Trump's election to the US presidency in early November. Equity markets remained buoyant into February 2025, before concerns over US trade policy and the potential for stagflation (rising inflation accompanied by weak economic growth) led to notable declines, particularly among technology stocks that had benefited from positive sentiment around AI.

2024 was also a busy year for elections, with plenty of focus on political developments. In early June, the surprise announcement of a French general election unsettled European markets, amid concern around the possibility of strong support for some of the country's more extreme factions. An upset to the status quo was also heralded in the US as Donald Trump became the Republican nominee and subsequently won the US presidential election. In the UK, the near certainty of the outcome made the general election campaign a relatively benign event for UK markets, although the Autumn budget was less well-received. The timing and pace of anticipated interest rate cuts also remained in focus with most major central banks, other than the BoJ, cutting rates over the year.

Government bond prices fell over the year to 31 March 2025 amid rising rates, as UK inflation remained within a narrower range relative to recent history but above the Bank of England's 2% target. The 10-year gilt yield rose from 3.9% to 4.7% amid significant rate volatility, with yields exceeding the levels (4.5%+) experienced during the UK's mini-budget crisis of 2022. The return on the FTSE Gilts All Stocks index return for the year was -1.2%, as coupon income was insufficient to offset the impact of higher yields. Corporate bond credit spreads (the difference in yields between bonds of differing quality) ended the period slightly narrower, having tightened to historic lows in the latter half of 2024 before widening in early 2025, alongside increased equity volatility. UK investment grade credit (iBoxx Sterling Non-Gilts) returned +2.4% over the year (source: Bloomberg).

Meanwhile, valuations for unlisted infrastructure and commercial real estate were stable to modestly negative, with positive total returns over the year (+3-5%) driven primarily by income yields.

Looking ahead, investor attention remains focused firmly on US policy, with the ongoing back-and-forth on tariffs leading to elevated uncertainty and accompanying falls in consumer and business sentiment. The US dollar has sold off sharply since trade tensions have escalated with its status as global reserve currency coming under scrutiny, and the oil price has also weakened. Unsurprisingly, the risk of global recession appears to have increased. However, the potential for higher inflation from tariffs means the likelihood of a lower rate environment over the near term remains uncertain. At the same time, US discussions with Ukraine and Russia provide some small level of encouragement that the multi-year conflict there may yet be resolved. As ever, there remain ongoing macroeconomic and geopolitical challenges for market participants to navigate.

Investment Policy

Overview
Investment policy is the term that can be best used to describe all aspects of the Fund's approach to managing its assets. It encompasses a range of topics including principles and beliefs; strategy; management arrangements and the Fund's approach to responsible investment, including environmental, social and corporate governance matters (commonly referred to as "ESG").

This section of the Annual Report outlines the following:
- Statement of Investment Principles
- Investment Management Arrangements
- Investment Strategy
- Policy Groups (i.e. high-level asset allocation)
- Comparison of Actual and Strategic Asset Allocation
- Investment Mandates and Managers

The Fund's approach to ESG is set out in the Responsible Investment Section of the Annual Report.

Statement of Investment Principles
The Statement of Investment Principles (SIP) describes the objectives, policies and principles adopted by the Pensions Committee in the investment of Fund monies.

The SIP is an important part of the Fund's governance arrangements and provides the framework within which the Committee sets the investment strategy across high level asset categories (i.e. policy groups) and delegates implementation of the strategy to officers taking advice from the Joint Investment Forum (JIF). Committee also retains responsibility for the monitoring and scrutiny of Fund investments.

The SIP sets out the key principles which underpin investment policy. It also formally records the key investment objectives of the Fund which are:

- to ensure that there are sufficient funds available to meet all pension and lump sum liabilities as they fall due for payment, and
- to achieve a return on Fund assets which is sufficient over the long-term to meet the funding objectives agreed in the Funding Strategy Statement

The SIP describes the Fund's investment strategy and details how, by investing in a broad range of asset classes and by balancing risk and return, the Fund intends to achieve the necessary return on its assets. The SIP documents that both Fund and Manager performance are measured by an independent performance specialist against agreed benchmarks. The SIP also explains the approach to more operational issues such as stock lending, the use of derivatives and currency risk as well as the extent to which the Fund complies with the CIPFA Principles for Investment Decision Making and

Disclosure. The current version of the SIP was approved by the Pensions Committee in March 2024 following a review of strategy that took place in 2024 alongside the Lothian and Fife Pension Funds and supported by the Fund actuary, Hymans Robertson.

More detailed information on the current investment strategy can be found on the next page.

Investment Management Arrangements
The investment of Fund monies is undertaken by a range of external third-party managers who manage funds of varying styles and characteristics. The safeguarding of Fund assets is undertaken by the Custodian, Northern Trust, who also carry out the performance measurement of these assets.

Under the Fund’s governance arrangements, the Pensions Committee is responsible for setting high level investment strategy and monitoring risk and performance. The Chief Finance Officer is responsible for implementation (i.e. deciding the investment managers to be used and the monies allocated to each manager).

Both the Committee and Chief Finance Officer receive advice from the Joint Investment Forum (JIF) which consists of two independent external advisers who are supported by qualified investment professionals from LPFI. The arrangement is a key part of the collaboration between Falkirk, Fife and Lothian Pension Funds which entails LPFI Limited (LPFI) providing investment services to Falkirk through a shared service arrangement.

The JIF meets on a quarterly basis to discuss investment performance, macro conditions, risk and other investment related issues. During 2024/25, discussions centred on tactical positioning of asset classes; global instability; market pricing of US tech stocks; central bank monetary policy; and the step change in US trade and defence policy.

In addition to its participation in the JIF, LPFI act as the investment manager for several of the Fund’s mandates. They also provide the Fund with an advisory and arranging service (including legal support) for investments in real estate, infrastructure, and private markets generally. LPFI is a wholly owned subsidiary of Lothian Pension Fund and is authorised and regulated by the Financial Conduct Authority to carry out activities, including advising, arranging, and managing investments.

All mandates – including those managed by LPFI - are underpinned by Investment Management Agreements or similar legal instruments to ensure that Fund monies are invested in compliance with the terms of Local Government Pension Scheme (Management and Investment of Funds) Regulations 2010.

The in-house team is responsible for co-ordinating all investment management arrangements including quarterly reconciliations between the manager and custodian.

This encompasses equity and bond mandates as well as real estate and infrastructure relationships. Asset valuations are available to the Pensions Team via an on-line portal provided by Northern Trust, the Fund's Custodian.

Investment Strategy

The main objective of the Investment Strategy is to enable the Fund to achieve a return on its assets sufficient to meet its long-term benefit commitments.

In setting strategy, the Fund categorises its assets into one of five Policy Groups, with each group having its own return target. It is recognised that the distinctive policy groups provide exposure to different drivers of risk and return. The blended return from the five policy groups is configured to support key Fund objectives, in particular, the ability to pay benefits now and in the future; the maintenance of Fund solvency in the foreseeable future; and the protection of the Fund from severe downside risks.

The Policy Groups themselves contain underlying asset classes which have similar risk and return characteristics, but which are not completely correlated with one another. Policy Groups are the key determinants of risk and return for the Fund and are the main focus of attention for the Committee.

The Committee and JIF, supported by LPFI and the in-house team, review investment performance on a quarterly basis in line with statutory requirements. An in-depth review of investment strategy takes place at least every three years in conjunction with the triennial Valuation process.

The strategy is updated from time to time in response to changing economic circumstances and Fund demographics.

At the time of the Covid pandemic, a heavy weighting to equities and infrastructure was maintained as a hedge against inflation. Equally, the risk that interest rates would rise from any inflation burst dictated that the Fund should be underweight in gilts.

A change was made in 2022 to the effect that, notwithstanding the benefits of diversification, the Fund's equities should be tilted towards lower risk securities and stocks that screened well for value and income. Examples of this being put into practice were allocations to the Global Low Volatility and Global High Dividend vehicles managed by LPFI. The focus on defensive equities means that the Fund may underperform in times of strong "bull" markets but should outperform when markets suffer sharp drawdowns. In the instances of the Covid crisis, the Liz Truss mini-budget episode, and the Trump tariff, when markets pulled back sharply, the Fund strongly outperformed.

The current iteration of strategy was agreed in March 2024. This followed an asset/liability modelling exercise undertaken with Lothian and Fife Pension Funds and made the following alterations:

- to reduce the strategic allocation to Equities from 60% of the Fund to 55%
- to increase the allocation to Sovereigns from 10% to 15%
- to reduce the allocation to Credit from 10% to 8%
- to have an explicit allocation to Cash of 2%

Despite the reduction in equities, the strategy continues to be strongly weighted towards the equities policy group, albeit with a focus on less volatile stocks. The Fund has been able to take this more defensive position in the light of the strong funding position disclosed at the 2023 Valuation.

Policy Groups
The Pensions Committee is responsible for setting the allocation to the five Policy Groups (Equities, Other Real Assets, Sovereigns, Credit, and Cash). The Chief Finance Officer is responsible for deciding the allocation of capital to any subordinate asset classes within each of the Policy Groups and ultimately to the investment managers.

To avoid unnecessary and costly re-balancing, the Committee has agreed that the level of assets held in each Policy Group may sit within a particular range. Asset allocation within these tolerances is monitored closely by the JIF.

The agreed target allocation and range for each Policy Group in 2024/25 was as follows:

Policy group	Strategic allocation	Acceptable range	Long-term expected return
Equities	55%	45% - 65%	Gilts + 3.5%
Other Real Assets	20%	10% - 30%	Gilts + 2.5%
Sovereign	15%	5% - 25%	Gilts + 1.0%
Credit	8%	0% - 20%	Gilts + 0.0%
Cash	2%	0% - 15%	0.0%
Totals	**100%**		**Gilts + 2.8%**

Equities include public and private equity in the UK and global markets. Investment in equities is designed to capitalise on the returns that come from investing in successful businesses. The return target for equities is Gilts plus 3.5%. The Fund favours equity vehicles that match the returns from equity benchmarks but with less than benchmark risk. The range of vehicles used deliver diversification through characteristics such as manager approach, investment theme, investment style, market cap, geographic and sectoral stock selection.

Other Real Assets include Infrastructure, Timberland and Property. These are private market assets designed to deliver stable, lower risk returns throughout the highs and lows of the economic cycle with some inflation linkage. Infrastructure may be in regulated industries or availability- based PPP contracts. Property is mainly

commercial real estate where returns are a mix of capital growth and rental income. As Other Real Assets cannot be traded easily, investors should expect to be compensated with an illiquidity premium.
Credit includes Corporate Bonds and direct lending in private markets (i.e. Private Debt). These assets are held for their defensive qualities, including their lower volatility and stable income generation characteristics. Private Debt commitments are only made with managers who have a track record of investing in companies where there are strong covenants and minimal default risk. Invariably, these are restricted to the senior debt tranche of a company's capital structure.

Sovereigns relate to debt instruments issued by the UK Government. They are held by the Fund for their liability matching qualities (n.b. long dated index linked gilts can be purchased to closely match the future expected cash outflows of the Fund). Increasing the allocation to this Policy Group reduces funding volatility, however, if the Fund was invested solely in Gilts, the expected return would be significantly less than the Fund's target return and employer contribution rates would be correspondingly higher.

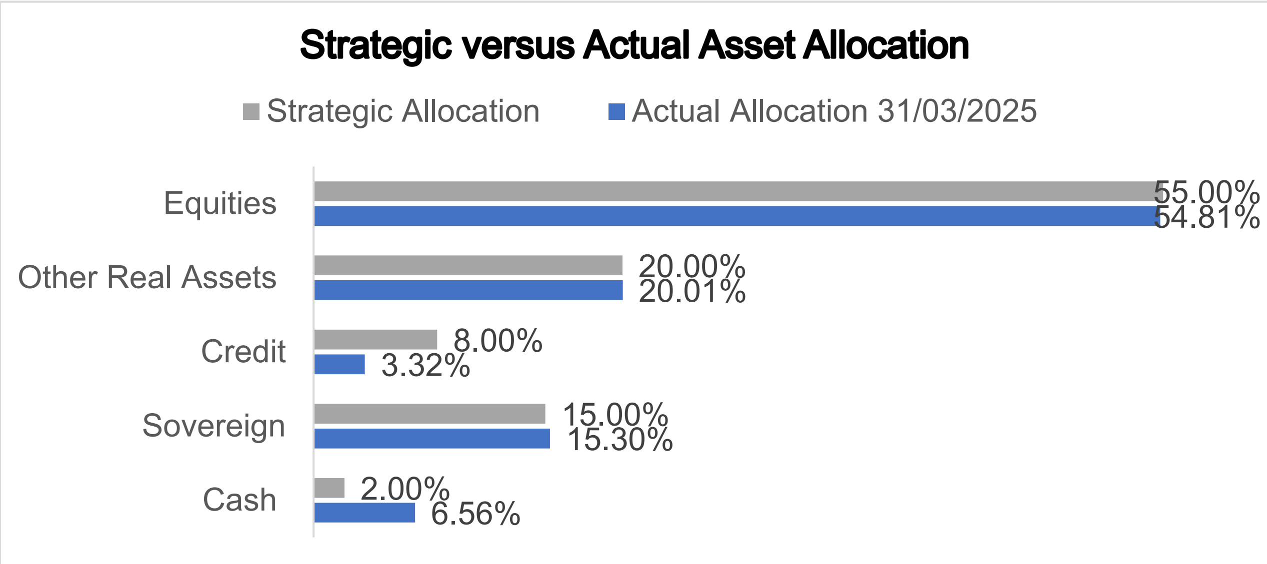
The rise in bond yields (and decline in price), which started in 2021/22, has seen the Fund gradually increase its exposure to the Sovereign policy group. The purchase of Sovereigns has continued during 2024/25 as interest rates have declined, taking the Fund to its strategic allocation. It remains to be seen where rates go from here, with central banks having to manage oncoming inflationary pressures (e.g. tariffs) without damaging economic growth.

The Sovereigns policy group does not involve the use of derivatives or leverage to enhance returns. These "LDI" strategies created difficulties for some pension funds in Autumn 2022 when financial markets reacted adversely to the mini-budget announcements of the Truss administration and caused a spike in yields.

Cash is held pending the availability of suitable investments in the other policy groups or in times of uncertainty or unstable market conditions as a defensive proxy for short-dated bonds. Where Sovereigns and/or Cash yield the same as equity dividend yields, it is likely that holdings in these areas will increase.

Comparison of Actual and Strategic Asset Allocation
A comparison of the Fund's actual Policy Group holdings versus the strategic weightings is reviewed every quarter by the JIF and reported to the Pensions Committee and Pension Board.

The positioning as at 31 March 2025 is as shown in the following table:



Source: Falkirk Council Pension Fund

The actual allocation can differ from the strategic allocation due to:

- the Fund adopting tactical positions in the face of economic conditions
- the natural ebb and flow of asset prices across markets, and
- the Fund minimising costs by avoiding trading for minor rebalances

As at March 2025, the Fund is close to its target weight for Equities, Infrastructure and Sovereigns. By contrast, it is underweight Credit and overweight Cash. Each of these positions is in line with the recommendations of the JIF. All allocations are within the prescribed ranges agreed by Committee.

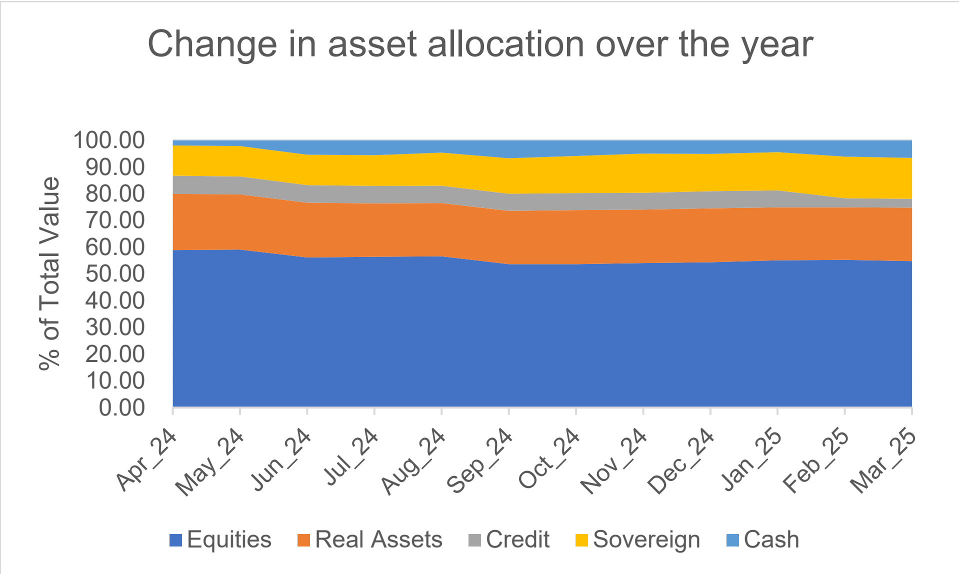
The underweight position in (corporate) credit reflects the view that spreads are still too narrow to compensate for the risks of providing debt finance at a time when businesses face increased operating costs and uncertainty around interest rates and inflation. In that environment, it is prudent to be overweight cash for defensive and liquidity reasons.

Overall, the JIF and the Pensions Committee are content with the positioning of the Fund, recognising that tactical modifications may be needed in the light of developments on the international landscape.

Evolution of Asset Allocation over period to 31 March 2025

During 2024/25, the combination of macro-economic and geopolitical risks, led the JIF to recommend an underweight position in equities: more specifically, underweight to the US market and with a continued bias to defensive stocks. The Fund continues to work towards this positioning in equities, recognising that progress will depend on how equities move relative to other policy groups. In terms of fixed income, the JIF also recommended being overweight Sovereigns given the risks of a recessionary environment occurring.

The chart below shows how the allocation to policy groups changed during the year:



Source: Falkirk Council Pension Fund

In line with the strategy to increase exposure to more defensive oriented equities, the Fund terminated its Global Thematic mandate with Newton Investment Management and reinvested the proceeds (around £200m) in the Global Stable Multi Factor Relative Value (SMURV) vehicle managed by LPFI. The portfolio is built from a screen which identifies stocks which demonstrate low volatility, income generation and value biases.

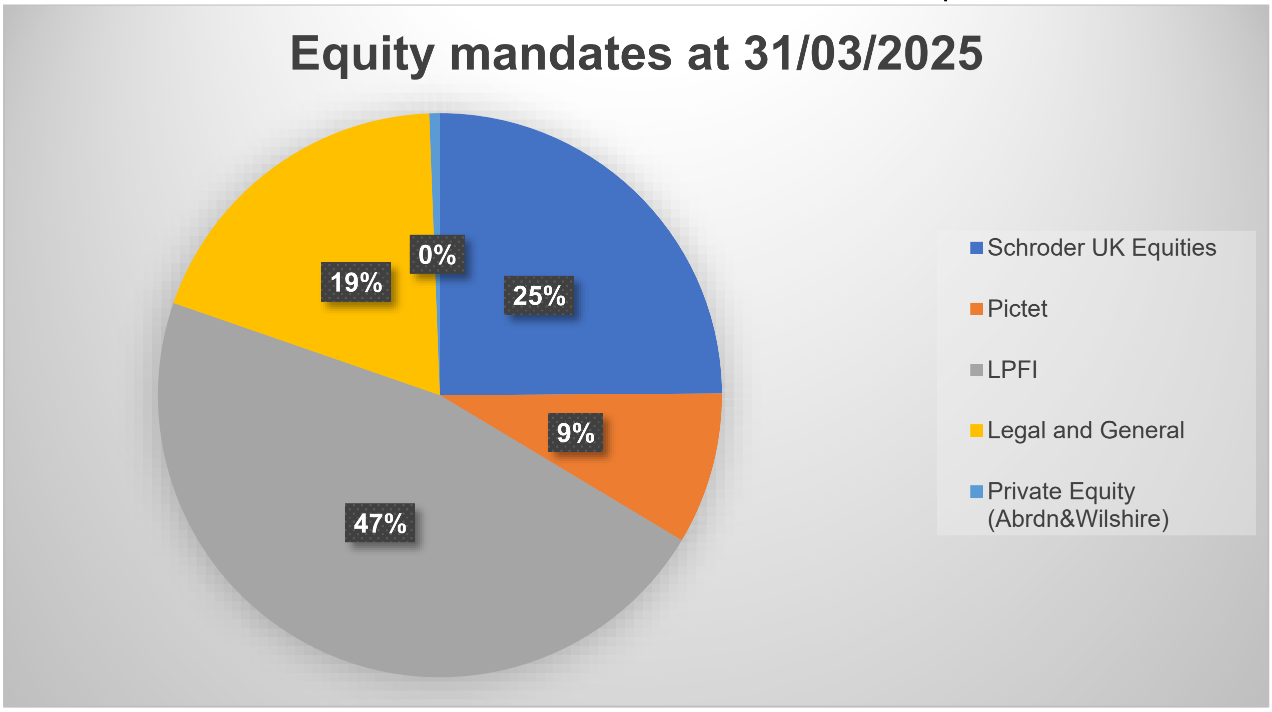
The allocation to Sovereigns has continued to increase during 2024/25 with around £90m of Index Linked Gilts (Over 15 years duration) bought between September 2024 and January 2025. In addition, in February 2025, the Fund liquidated its holdings (c. £104m) in the Baillie Gifford Sterling Aggregate Fund. This fund consisted of gilts, foreign sovereigns, corporate bonds and cash and thus no longer sat comfortably within our policy group structure. £50m of the proceeds were channelled into a new nominal gilts mandate managed by LPFI with the balance being held as cash.

In the Other Real Assets space, several new commitments were made, broadening the range of allocations to private market funds in Infrastructure.

Investment Mandates and Managers

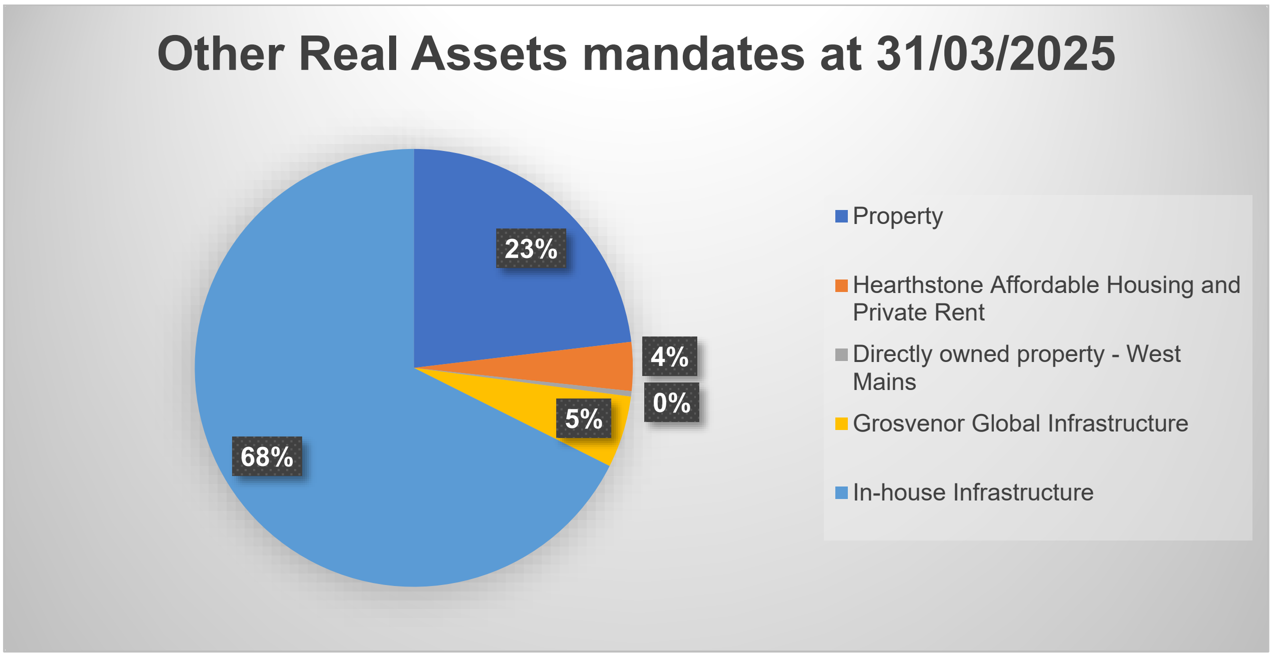
As at 31 March 2025, the Fund's allocation of assets to Policy Groups and investment mandates was as shown in the pie charts on the next page:

Equities
At 31 March 2025, 54.8% of the Fund's assets were invested in Equities as follows:



Source: Falkirk Council Pension Fund

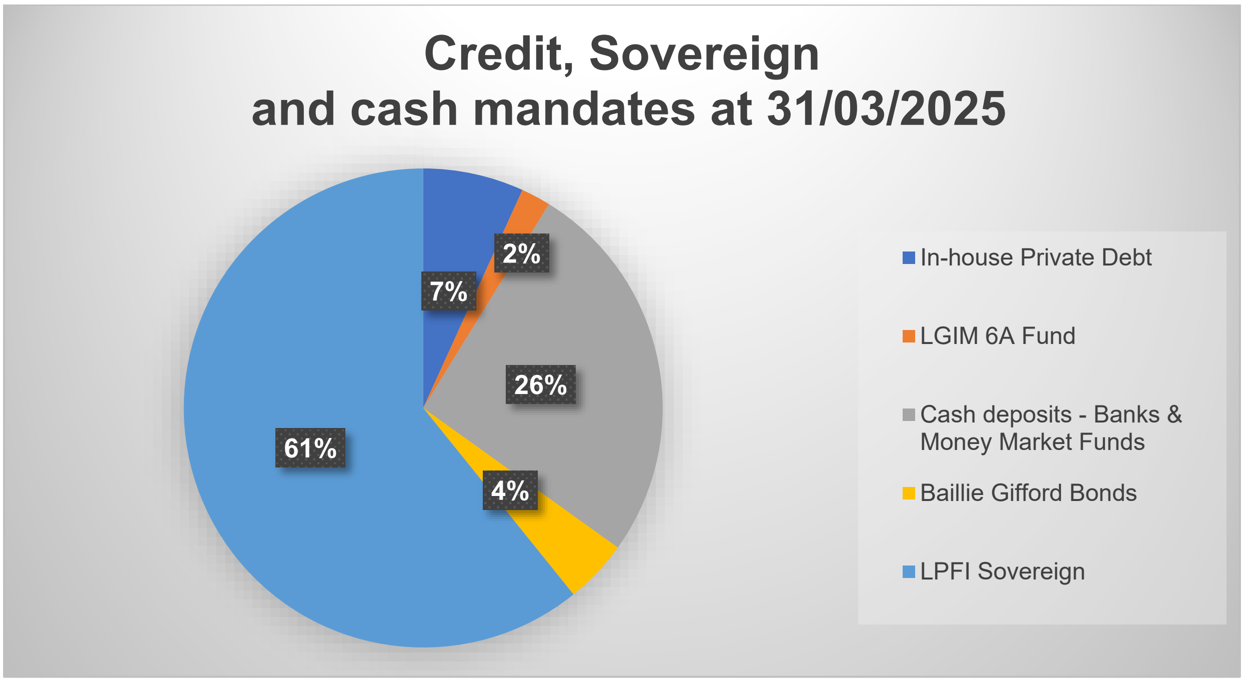
Other Real Assets
Other Real Assets formed 20.1% of the Fund and were split as shown below:



Source: Falkirk Council Pension Fund

Credit, Sovereign and Cash

The remaining Fund assets were allocated between Credit (3.3%), Sovereigns (15.3%) and Cash (6.5%), managed as follows:



Source: Falkirk Council Pension Fund

Investment Performance

This section of the Annual Report deals with the Investment Performance of the Fund during 2024/25 and over longer time periods. The initial part sets out the returns at a whole Fund level and the latter part looks at how returns have been delivered by individual elements of the portfolio, including policy group and mandate.

Fund Investment Performance
During the year, the Fund achieved a return of 3.93% beating its primary benchmark of 0.98% by 2.95%. The Fund benchmark is a composite value made up of the benchmarks used to measure the individual policy groups

Policy Group	Weight	Benchmark / Performance Objective
Equities	55%	MSCI ACWI risk adjusted x 0.9
Other Real Assets	20%	MSCI ACWI risk adjusted x 0.7
Credit	8%	iBoxx Sterling Non-Gilts +0.2% p.a
Sovereigns	15%	FTSE Actuaries Index Linked Gilts Over 15 Years
Cash	2%	Sterling Overnight Interbanking Average Rate (SONIA)

The table below shows 2024/25 performance by policy group:

Policy Group	Value £m	Weight %	Fund Return %	Benchmark Return %	Excess Return %
Equities	1,941	54.95	8.69	4.42	4.27
Other Real Assets	714	20.23	4.20	3.50	0.70
Sovereigns	542	15.34	-14.13	-15.33	1.20
Credit	153	4.32	3.76	2.56	1.20
Cash	182	5.16	6.49	5.09	1.40
Total Fund	**3,532**	**100.00**	**3.93**	**0.98**	**2.95**

n.b. Fund valuations above are at mid-price, whereas net assets as stated in the Statement of Accounts are bid price.

As can be seen from the table above, the Fund's return of 3.93% was primarily driven by equities as markets were supported for most of the year by the prospect of further interest rate cuts, continued enthusiasm for Artificial Intelligence, and (initially, at least) a Trump presidency. Other real assets, credit and cash were also positive contributors; however, gilts remained a detractor as interest rates did not fall as rapidly as had been anticipated by markets.

Returns over longer term time periods also show positive outperformance with the Fund beating its benchmark over the 3-, 5-, and 10-year time periods as well as since inception (2001).

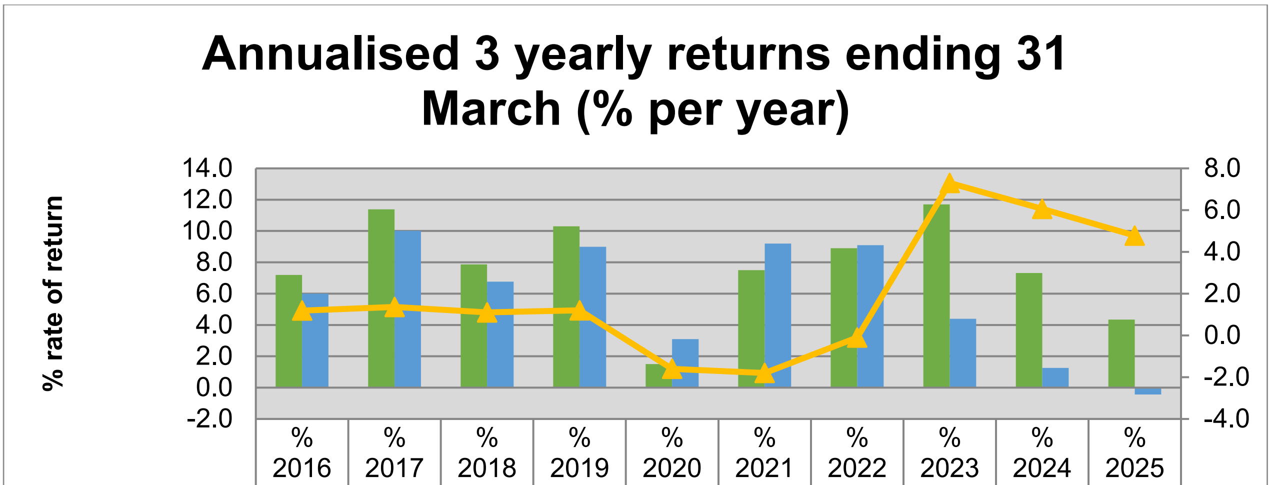
Returns	1 year (2024/25) %	3 years % per annum	5 years % per annum	10 years % per annum	Inception % per annum*
Fund Return	3.93	4.34	9.46	7.19	7.44
Benchmark Return	0.98	-0.44	5.00	5.22	6.38
Excess Return	2.95	4.78	4.46	1.97	1.06

*Inception records performance from 2001 when the current custodian appointment was made.

Performance requires to be considered in the context of risk taken. For example, over the 5 years to 31 March 2025, the Fund's annualised standard deviation of returns was 7.0% against the benchmark standard deviation of 10.7%. The Fund has therefore delivered higher returns against the benchmark (9.5% p.a. vs 5.0% p.a.), with a lower level of risk than the benchmark. A further measure of performance returns relative to risk taken is the Sharpe ratio. Over the same 5 years period the Fund achieved a Sharpe ratio of 1.06 vs the benchmark Sharpe ratio of 0.27, indicating a higher level of return per unit of risk taken than the benchmark.

The Chief Finance Officer and the JIF assess returns on a regular basis in the context of risk, mandate constraints, objectives and suitability of benchmarks. Performance is reported at the quarterly Committee and Board meetings.

Given the long-term nature of the Fund's liabilities, caution should be exercised in assessing performance over shorter time periods. The following chart gives the 3 yearly rolling average returns for the Fund over the past 10 years. The Fund's outperformance in the mid to end of the last decade generally reflects the benign conditions enjoyed by investors based on low interest rates and the era of quantitative easing by central banks. The returns at March 2020, 2021, and 2022 capture the dips caused by the Covid 19 pandemic. The returns for 2023, 2024 and 2025 reflect the normalising of economic activity post pandemic and the Fund's tilt towards a lower risk strategy. Ultimately, the chart shows that only in those years of Covid abnormality has the Fund failed to outperform the rolling 3 yearly benchmark.



	% 2016	% 2017	% 2018	% 2019	% 2020	% 2021	% 2022	% 2023	% 2024	% 2025
Fund	7.2	11.4	7.9	10.3	1.5	7.5	8.9	11.7	7.3	4.3
Benchmark	6.0	10.0	6.8	9.0	3.1	9.2	9.1	4.4	1.3	-0.4
Relative	1.2	1.4	1.1	1.2	-1.6	-1.8	-0.1	7.3	6.1	4.8

Source: Falkirk Council Pension Fund

Manager Monitoring

The Chief Finance Officer appoints the Fund's investment managers under powers delegated by the Pensions Committee. Appointments are made having regard to guidance from the Joint Investment Forum (JIF).

Regulation 10 of the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) 2010 (SSI 2010/233) requires the monitoring of investment managers' performance each quarter. Compliance is achieved by the internal teams at Falkirk and Lothian:

- analysing quarterly manager reports
- conducting regular meetings and conference calls with managers
- reporting outcomes to the JIF

The JIF uses a traffic light system to assess overall manager effectiveness including portfolio construction, risk and return, and any wider business activities deemed to be of relevance. The JIF has regard to the fact that changing managers will incur costs for the Fund and will therefore only make such a recommendation where it is advantageous to do so.

Finally, each quarter, the Pensions Committee and Board are provided with reports on Fund and Manager performance and on matters arising from the most recent meeting of the JIF.

Manager Performance

The table on the next page shows the annualised return achieved by managers of the larger Fund mandates over 1-, 3- and 5-year periods to 31 March 2025:

	Absolute Return			Benchmark			Relative to Benchmark		
	1 Yr	3 Yrs	5 Yrs	1 Yr	3 Yrs	5 Yrs	1 Yr	3 Yrs	5 Yrs
Mandate	%pa	%pa	%pa	%pa	%pa	%pa	%pa	%pa	%pa
Equities	**8.69**	**7.67**	**13.77**	**4.42**	**6.82**	**13.74**	**4.27**	**0.84**	**0.04**
LPFI GLOVE	11.18	n/a	n/a	4.87	n/a	n/a	6.31	n/a	n/a
LPFI GHD	6.62	n/a	n/a	4.87	n/a	n/a	1.75	n/a	n/a
LPFI SMuRV	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Schroder UK Value	20.08	11.19	18.45	10.46	7.22	12.04	9.62	3.97	6.40
LGIM Passive	6.29	7.53	13.45	6.84	7.78	13.58	-0.55	-0.25	-0.14
LGIM Reduced Carbon Path.	5.09	9.04	16.44	5.81	9.18	16.51	-0.72	-0.15	-0.07
Pictet Global Env Opps	-10.95	1.89	n/a	4.87	7.63	n/a	-15.82	-5.73	n/a
Private Equity	-10.23	-10.42	-0.80	4.87	10.54	7.94	-15.10	-20.96	-8.74
Real Assets	**4.20**	**7.66**	**10.44**	**3.50**	**-4.92**	**-5.47**	**0.70**	**12.57**	**15.90**
Infra-structure	3.60	12.69	13.54	-5.61	-12.42	-10.01	9.20	25.10	23.55
Property	6.08	-3.12	3.78	6.43	-3.31	2.63	-0.34	0.19	1.15
H'rthstone Affordable Housing	4.72	5.86	6.02	5.21	8.92	8.21	-0.49	-3.06	-2.19
Credit	**3.76**	**0.02**	**1.05**	**2.56**	**-0.62**	**-0.01**	**1.20**	**0.64**	**1.07**
Baillie Gifford Bonds	2.66	n/a	n/a	-0.91	n/a	n/a	3.56	n/a	n/a
LGIM 6A Fund	2.11	-1.16	n/a	2.17	-1.15	n/a	-0.06	-0.01	n/a
Private Debt	5.76	7.75	7.62	8.84	8.27	6.60	-3.09	-0.52	1.01
Sovereign	**-14.13**	**-19.35**	**-10.99**	**-15.33**	**-23.12**	**-13.32**	**1.20**	**3.76**	**2.33**
LPFI Index Linked Bonds	-15.74	-22.14	n/a	-15.33	-23.12	n/a	-0.40	0.97	n/a

US Tips	-0.04	-8.37	n/a	0.30	-8.42	n/a	-0.35	0.05	n/a
LPFI Nominal Gilts	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

“n/a” – denotes the mandate has not been held long enough or data is unavailable
Source: Northern Trust

Comment on Manager Performance

Equities
In aggregate, equities delivered a return of 3.93% during 2024/25.

The most significant absolute returns were achieved by the Schroder UK Value mandate (20.08%) driven by stock selection and wider market recognition of attractive UK valuations. The LPFI managed GLOVE mandate also performed strongly (11.18%) aided by its defensive characteristics in face of disruptive US trade policy. There was also solid performance from the LPFI managed GHD vehicle (6.62%), a mandate which screens for stocks with financial strength, high dividend yields and cover.

A significant development during the year was to terminate the Global Thematic Equities mandate managed by Newton Investment Management and reinvest in the SMuRV mandate managed by LPFI. The change was made in line with the Fund’s more defensive strategy. The new mandate targets value-oriented stocks which have low volatility characteristics. The only available performance number for SMuRV thus far relates to Quarter 1 in 2025 where the return was 3.70% versus the benchmark of –4.26%.

The Fund’s passive equity mandate which is managed by Legal and General (LGIM) and which has a significant weighting to the value-oriented UK market, performed broadly in line with benchmark, as did the Reduced Carbon Pathway vehicle also managed by LGIM. With this latter rules-based vehicle, higher rated stocks are sold according to a strict timetable and the proceeds invested into lower rated stocks. In addition to tracking an index based on financial fundamentals (e.g. dividends, sales, etc) the mandate targets a gradual reduction in its annual carbon footprint.

The main equity detractor was the Pictet Global Environmental Opportunities mandate (-10.95%) which suffered from its growth-tilted narrower range of investable stocks being out of favour and, in relation to the benchmark, from it not being a ""Magnificent 7” investor (the term given to the 7 largest technology stocks).

During the year, the Fund’s private equity investments were managed by Wilshire Associates and Patria Global Private Markets Solutions via Fund of Funds vehicles. The Patria funds were managed by Abrdn until April 2024 at which time Patria acquired the Abrdn private markets business. Patria is a Nasdaq-listed, private markets firm, with assets under management in excess of $40 billion.

Due to the higher risk, higher reward nature of private equity investments, the Fund has made no new commitments since 2014. The funds are largely in the wind down phase of their lifecycle and represent less than 0.4% of total Fund assets. Performance in 2024/25 reflects the write down of asset valuations in the face of rising interest rates and the likelihood that remaining assets will be of a less saleable nature.

Notwithstanding the Fund's bias towards lower risk stocks, the Fund recognises the diversification benefits of having exposure to a range of equity strategies which behave and perform differently to each other over the economic cycle. This is achieved by having mandates as diverse as the Pictet Global Environmental Opportunities Fund and the LPFI Glove and GHD mandates. This will invariably lead to wide dispersion of returns across mandates.

Infrastructure
The infrastructure portfolio consists of two Fund of Fund vehicles managed by Grosvenor Capital and a range of investment vehicles managed by specialist infrastructure managers. These are all unlisted private market investments.

New opportunities are sourced and arranged through a collaborative arrangement with LPFI. To achieve diversification, the portfolio is invested across various limited partnership fund interests mainly in the UK, Europe and US in a mixture of Primary, Secondary, Co-investment and Single Asset Funds and across a range of sectors such as energy, transport and utilities. Around 70% of the assets are regulated or availability based and thus largely uncorrelated with wider economic activity. Assets are generally fully operational, cash generative and fully or partially inflation linked. They are thus lower risk than traditional private equity investments.

Notable investments in 2024/25 were:
- a stake in the Moray East offshore wind farm
- an increased stake in a fund with assets in PPPs, Onshore and Offshore Renewables, Student Accommodation, Social Housing and Road and Rail projects,
- an increased stake in a portfolio of onshore wind farms
- a hydro scheme delivering renewable energy

Over the year, infrastructure return of 3.60%, comfortably outperforming the gilts plus benchmark of –5.61%.

Property
The Fund's property holdings are spread across 16 funds being a mix of balanced funds and more specialist funds. The holdings are managed by a range of managers, including Schroders, Blackrock and LGIM with oversight from Falkirk and Lothian officers. No new commitments were made during the year. In recent years, the Fund has broadened the scope of the portfolio by investing in less traditional areas such as Student Accommodation and Healthcare facilities ("alternatives").

The Fund's largest holdings are in the Blackrock UK Property Fund and Legal and General's Industrial Property Investment Fund. Fund values have stabilised after a very challenging couple of years when valuations plummeted in the face of Covid due in part to the change in working habits and the subsequent inflationary and interest rate pressures. Consistent with this, the portfolio is underweight retail and office funds, neutral on industrials and overweight alternatives. The aggregate return for 2024/25 was 6.08% versus the property benchmark of 6.43%.

A separate mandate invests in the Housing Fund for Scotland, a vehicle to facilitate investment in Affordable and Private Residential Housing. The mandate is managed by property specialists Hearthstone. Properties are located in Perth, Aberdeen, Haddington, Rutherglen, Dalkeith, South Queensferry, Denny and Bo'ness. The mandate continued to deliver dependable income in the face of uncertainty around rental controls. Occupancy levels have been strong and rent arrears minimal. A number of properties are leased to the Places for People group as affordable housing units. These leases will terminate on a site-by-site basis between mid-2025 and 2027, at which time properties will be let out directly by the fund. The return for 2024/25 was 4.72% versus the RPI linked benchmark of 5.21%.

Credit

The Fund's allocations to Credit are spread across 3 mandates – investment grade corporate bonds with Baillie Gifford; AAA, AA and A rated corporate bonds with Legal and General; and several loan funds managed by managers in the private credit space (Blackrock, Alcentra, CVC, Barings and Apogem Capital).

The Baillie Gifford Fund is actively managed and contains mainly "BBB" rated corporate bonds or higher. Returns of 2.66% were ahead of the -0.91% benchmark, reflecting, on the one hand, concerns around the US policy agenda, but optimism from corporate earnings generally. A similar level of return - 2.11% - was delivered by the passively managed Legal and General "6A" corporate bond fund.

The Credit assets also include investments in unlisted loans funds managed by specialist managers. A creditable return of 5.76% was achieved in the year. Although returns have been stable, it is noticeable that a larger number of debtor companies are now on watch lists which may start to put returns under pressure. The aggregate return for credit in 2024/25 was 3.76% against a benchmark of 2.56%

Sovereigns

During 2024/25, in order to provide better alignment with the policy group structure, the Fund's holdings in the Baillie Gifford Sterling Aggregate Bond Fund (SAB) were liquidated. Roughly 50% of the proceeds were invested in an Over 15 Years nominal gilts mandate (i.e. not index linked) managed by LPFI with the remainder held as cash to combat market instability and pending further opportunities in the fixed income space.

Notwithstanding the new nominal gilts position, the bulk of Sovereigns are held in an index linked gilts fund (Over 15 years) managed by LPFI. The LPFI funds are managed on a passive basis with the duration of the holdings being 15 years for nominal and 24 years for index linked. The longer-term duration, whilst having positive liability matching properties, does make the assets sensitive to changes in interest rate. In particular, performance was impacted in quarter 4 of 2024 by sharp rises in bond yields occasioned by UK economic policy and the unfolding implications of the Trump presidency.

The other component in the Sovereigns policy group is US Treasury Inflation Protected Securities (TIPS). These are held in a vehicle managed on a passive basis by LPFI. Returns in 2024/25 have been relatively flat as concerns around US inflation and interest rate policy led to returns being static.

The Fund holds its Credit and Sovereign assets (and Cash) for defensive purposes, to diversify returns from assets such as equities, and to provide a degree of inflation protection. Although returns can be (and have been) adversely impacted by rising yields, these losses have been more than compensated for by the improved funding position resulting from the fall in Fund's liabilities also occasioned by the rising yields.

Investment Holdings

The Fund's ten largest direct equity holdings at 31 March 2025 are as listed below:

Name of Stock	Market Value as at 31/03/2025 in £	Sector
GSK PLC	24,217,622.50	Health Care
BRITISH AMERICAN TOBACCO	23,420,482.95	Consumer Staples
SHELL PLC	23,399,635.99	Energy
LOCKHEED MARTIN CORP COM	20,462,281.32	Industrials
IMPERIAL BRANDS PLC	20,014,233.44	Consumer Staples
VODAFONE GROUP	18,726,716.42	Communication Services
BP	17,271,470.12	Energy
AVIVA	17,048,845.20	Financials
TESCO	16,909,457.68	Consumer Staples
DIRECT LINE INSURANCE PLC	16,036,214.78	Financials

The scheme rules specify that the maximum amount an LGPS Fund may have in a single holding is 10% of the total fund value unless it is held in a pooled vehicle.

The Fund's single largest holding (excluding pooled funds) is in GSK Plc and is approximately 0.68% of the Fund value, and therefore comfortably within the statutory ceiling.

A full list of Fund holdings can be found on the fund website.
https://www.falkirkpensionfund.org/resources/assets-listing-at-31-03-2025/

Responsible Investment

Overview
Responsible investment is an approach to investing that aims to incorporate Environmental, Social and Governance ("ESG") considerations into investment decision making with a view to managing risks more effectively, generating sustainable, long-term returns and producing good social outcomes. Increasingly, good stewardship is judged in terms of how well a fund oversees its capital without this being to the detriment of economies and wider society.

Falkirk Council Pension Fund considers itself to be a responsible investor and has set out its approach to ESG matters in its Statement of Responsible Investment Principles (SRIP). The SRIP was adopted by the Fund during 2020/21 and has most recently been updated at the Pensions Committee meeting of 14 March 2024.

The principles set out in the SRIP flow from Fund beliefs that:
- fiduciary duty is paramount (i.e. the Fund must act in the best interests of members and employers)
- responsible investment should reduce risk and improve returns
- the Fund should exercise its ownership rights in a responsible way, engaging constructively with companies, rather than divesting and
- that where material risks remain following a reasonable period of engagement activity with no prospect of improvement, the Fund may divest from a position.

The Fund expects its managers to report regularly on ESG matters and to have regard to the SRIP when constructing actively managed portfolios. Managers invariably produce a standalone quarterly ESG report or include a summary of engagement work in their quarterly investment report.

The Fund's legal purpose (as endorsed by successive legal opinions) is to invest stakeholder monies in order to meet future pension payments. Responsible investment must therefore be seen in the context of the need to deliver Fund solvency and manage risk through the holding of a widely diversified portfolio of assets. Whilst the Fund may legally take non-financial factors into account when setting its investment policy, this cannot be done if it would result in a significant risk of financial detriment to the scheme.

Statement of Responsible Investment Principles
The Fund's responsible investment principles are built around the Principles for Responsible Investment ("PRI"), previously known as the United Nations Principles for Responsible Investment. PRI is an international network of asset owners and managers who are committed to the PRI's six key principles to work collaboratively towards best practice in responsible investing.

Although not a signatory to the PRI, due to the resourcing implications for a fund of Falkirk's size, the Fund bases its Responsible Investment ("RI") approach on the PRI principles. These are shown below, together with how these are being addressed by the Fund:

PRI Principle	Fund Response
To incorporate ESG issues into investment analysis and decision-making processes.	Managers are challenged at quarterly meetings to explain how ESG issues are part of the investment decision making process and to justify these.
To be active owners and incorporate ESG issues into our ownership policies and practices.	The Fund uses its voting rights at AGM/EGM resolutions; has co-sponsored AGM resolutions; and has joined class actions. The Fund has appointed Hermes EOS to engage with companies on ESG issues. Controversial matters are reported to the Fund through EOS alerts and duly reviewed.
To seek appropriate disclosure on ESG issues by the entities in which we invest.	Managers produce detailed ESG reports describing engagement activity and providing wider comment on ESG issues.
To promote acceptance and implementation of the principles within the industry.	The Fund is a member the Local Authority Pension Funds Forum (LAPFF) and other industry wide bodies.
To work together to enhance our effectiveness in implementing the principles.	The Fund is a member of LAPFF; the Institutional Investors Group on Climate Change; Climate Action 100.
To report on our activities and progress towards implementing the principles.	A summary of Voting and Corporate Governance activity is provided quarterly to the Committee and Board and is publicly available as part of the Committee papers. This is augmented by reports from our engagement providers Hermes EOS.

Stewardship and Corporate Governance

As with the PRI, the UK Stewardship Code sets out the best practice principles that asset managers are expected to follow when managing "other people's money", including the extent to which they should play an active and positive role in engaging on corporate governance matters for the benefit of their clients.

A revised Stewardship Code was introduced in 2020 whereby signatories are required to meet certain standards consistent with good corporate governance.

Whilst not being a signatory, the Fund strives to comply with the spirit of the Code by:

- publicly disclosing stewardship activities

- having a robust policy on managing conflicts of interest
- monitoring investee companies in conjunction with managers
- acting collectively with other investors (e.g. LAPFF)
- having a clear policy on voting and disclosing that activity
- participating selectively in class actions, shareholder resolutions

More information on the Fund's approach to Stewardship is contained in Section 4 of the Statement of Responsible Investment Principles.

Voting and Engagement Specialist
Falkirk has appointed Hermes EOS as its specialist voting and engagement provider. Hermes EOS is an experienced practitioner with a global reach and significant client base having the capacity to engage effectively with corporates and exert influence on them. As of 31 March 2025, Hermes were providing stewardship services to clients with an aggregate of US $2.1 trillion of assets. Their appointment from 1 October 2021 is for four years.

The Hermes approach is one of constructive engagement focusing on areas where they can improve shareholder value, or at least, prevent the loss of shareholder value.

The effectiveness of Hermes engagement is monitored through measuring progress against so-called milestones, as described below:

- Milestone 1 - the raising of an issue with the company
- Milestone 2 - recognition by the company that the concern is valid
- Milestone 3 - a plan to address the issue
- Milestone 4 - successful delivery of the objective.

As well as providing quarterly engagement statistics for the Fund, Hermes produce an annual report containing case studies and public policy comment. Their website - EOS Library | Federated Hermes (International) (hermes-investment.com) - contains details of their Public Engagement Plan and Responsible Ownership Principles.

Hermes approach of constructive engagement is aligned with that of the Fund as set out in the Statement of Responsible Investment Principles and as reaffirmed at the Pensions Committee and Board meeting of 14 March 2024.

Engagement topics cover a broad spectrum from succession planning and executive pay to climate risk and human rights. Some examples from 2024/25 of where engagement has borne fruit are:

Exxon Mobil	-	Published in 2024 an Advancing Climate Solutions Report
	-	Withdrew from Independent Petroleum Association of America
Meta	-	Improved disclosure child and teen health and safety (acknowledging further work needed)
Toyota	-	Improved transparency around board nominations

Amazon	-	Improvement in health and safety across warehousing

Engagement and Divestment
It is a fundamental Fund belief that engagement is a more effective tool for changing company behaviour than divestment.

By remaining invested, an asset owner retains the ultimate sanction which is to vote on company resolutions at AGMs. And whilst engagement may be a strategy that requires considerable patience, it can gradually bring about change, especially if like-minded investors work in concert. The alternative approach, which is to divest, means that an investor gives up any opportunity to influence company policy and risks shares falling into the hands of less responsible owners or, if sufficient investors divest, into private ownership.

Rather than making its own decisions as to which companies to invest in or divest from, the Fund delegates this to specialist investment managers, who are uniquely placed to undertake company research, assess all risks, including ESG risks, and determine how best to fulfil the objectives of their mandate. Invariably managers will have access to industry wide company ESG ratings to help inform their views.

Holdings can be controversial, whether this be in fossil fuel, tobacco or defence companies or holdings in politically sensitive countries. Whilst the Fund could “screen out” these sectors – which could firstly increase risk by reducing diversification and secondly damage returns and be unlawful - it leaves those decisions to its investment managers. Where a holding is contentious, officers will check whether the issue is being monitored by Hermes and discuss with the manager to understand the rationale for the holding.

Whilst patient engagement is the preferred approach to addressing corporate issues, the Fund retains the option, as a last resort, of divesting from any of its holdings.

Impact Investment
The Fund does not set out specifically to invest in assets with a wider social or environmental benefit as this could be at variance with its fiduciary responsibilities. Nonetheless, the Fund is invested in various infrastructure assets many of which are located in the UK and can be considered long-term sustainable investments with positive societal benefit. These include investments in low carbon transport, renewable energy (hydro, wind and solar assets), as well as social infrastructure such as affordable housing, student accommodation, care homes, schools, and hospitals.

Climate Change
The risks posed by climate change and global warming have been identified as a major risk to the planet and therefore to future Fund returns. This was the view of the Task Force on Climate Related Financial Disclosures – a working group established by G20 Ministers and Central Bankers – which in a 2017 report stated that:

"*The reduction in greenhouse gas emissions implies movement away from fossil fuel energy and related physical assets........climate-related risks and the expected transition to a lower-carbon economy [will] affect most economic sectors and industries."*

"Both investors and the organizations in which they invest, therefore, should consider their longer-term strategies and most efficient allocation of capital."

The Task Force, whose responsibilities have been assumed by the International Sustainability Standards Board, made four specific recommendations - on governance, strategy, risk management, and metrics and targets. These form the basis for investors to hold companies to account in relation to their business future proofing and assess whether sufficient scenario analysis is being undertaken.

Source: Recommendations of the Task Force on Climate-related Financial Disclosures (June 2017)

The Fund considers itself a good steward of capital and to that end is conscious of the need for there to be a global energy transition. The Fund does not have a specific goal to reduce fossil fuel exposure and to increase renewables, but the Fund has increasingly invested in low carbon assets, notably solar, hydro, wind farms, electric trains, and waste to energy facilities.

In terms of wider climate change risk, the Fund manages this by:

- engaging with managers to ensure ESG risks are factored into decision making
- encouraging managers to join the net zero managers initiative (to support the goal of net zero greenhouse gas emissions by 2050 or sooner) in line with global efforts to limit temperature rises to 1.5%. A number of the Fund's managers are already signed up for this initiative including Legal & General and Schroders.
- by being part of the Local Authority Pension Funds Forum where the collective voting strength of around 80 funds can be used to influence corporate policy

- by being members of pressure organisations such as the Institutional Investors Group on Climate Change (IIGCC) and Climate Action 100+
- by reporting carbon emissions
- by using Hermes Eos wide range of capabilities to advise:
  - whether climate strategies are robust
  - whether strategies include any carbon reduction targets
  - whether companies have sufficient Board expertise around low carbon transitioning
  - on voting recommendations on company and shareholder resolutions.

As part of the 2023 Fund Valuation, climate risk was recognised as a source of uncertainty which could affect future investment returns, inflation, and life expectancies. Notwithstanding the subjective nature of climate change assessments, three outcome scenarios were modelled by the actuary – Green Revolution, Delayed Transition and Head in the Sand. The results are set out on Page 12 of the Valuation report (see link to the report in Appendix 3). The overall impact on funding and on downside risk is relatively marginal. Despite this result, the Fund is not complacent and will continue to monitor climate risk change as modelling techniques evolve.

Specific climate risk reporting requirements are scheduled to come into effect for Local Authority Pension Funds in the near future. Details are awaited from the UK and Scottish Governments.

IIGCC and Climate Action 100+

The Institutional Investors Group on Climate Change is a Global entity with more than 400 members, mainly pension funds and asset managers drawn from over 20 countries. Its mission is to influence governmental policies on an international scale and to mobilise capital for the low carbon transition that is required.

The **Climate Action 100+** initiative exists to engage directly with the world's largest corporate greenhouse gas emitters to challenge them to take action on climate change. More than 600 global investors are supporting engagement efforts to improve governance, curb emissions and strengthen climate-related disclosures. The companies targeted are 100 'systemically important emitters', who account for two-thirds of annual global industrial emissions, and around 70 others who have the potential to drive the clean energy transition. The initiative aims to improve corporate governance of climate risk through Board accountability and oversight; prompt the reduction of emissions across the company value chains; and encourage greater disclosure and ambitious transition plans. The initiative continues to operate successfully despite some US institutions choosing to leave due to concerns that continued participation may provoke legal action on the grounds of failure to properly observe fiduciary duty.

Local Authority Pension Funds Forum (LAPFF)

LAPFF is an umbrella organisation representing the interests of around 80 plus Local Government Pension Funds with assets of over £350 billion and exists to promote the highest standards of corporate governance and responsibility.

Membership of LAPFF is seen as a highly effective way of collaborating on ESG matters. LAPFF campaigns to change corporate behaviour include executive pay, conflict affected areas, human rights impacted by mining operations, plastics pollution, gender equality, climate change / fossil fuel emissions and reliable company accounting. It is a member led Forum with company engagement being undertaken by Fund trustees and asset owners. Due to the collective heft of LAPFF, engagement is invariably at a personal level with company chairs or senior executives.

Two high profile workstreams for 2024/25 have been Climate Risk and Conflict Affected High Risk Areas (CAHRAs).

On climate and the environment, LAPFF's objectives are for companies to align the business models with a 1.5 degrees scenario and to facilitate an orderly net-zero carbon transition, setting meaningful targets and disclosing data. This has included continuing to lobby for companies to grant specific "Say on Climate" votes at AGMs.

Prominent amongst recent engagements have been:

- UK Housebuilders on reducing emissions in new builds
- Energy suppliers on fossil fuel transitioning, renewables, energy storage and grid modernisation
- Mining companies on water stewardship and impacts on communities

In line with the importance of maintaining biodiversity, LAPFF continues to work with Nature 100 to encourage companies to map the impact of their supply chains and operations on the natural world with a view to reducing the degradation of ecosystems.

On CAHRAs, LAPFF's expectations are aligned with the UN Guiding Principles on Business and Human Rights, which calls for companies to undertake heightened human rights due diligence (HHRDD), including identifying and mitigating human rights impacts. Core asks are for companies to:

- disclose policies on HHRDD, including criteria for entering, remaining in, or exiting a CAHRA

- conduct robust conflict and human rights impact assessments, integrating findings into their corporate strategy
- strengthen supply chain oversight, ensuring that contracts and business relationships do not contribute to abuses
- engage openly with stakeholders and provide transparent reporting on progress, challenges, and any remedial actions taken.

In view of serious and tragic global events LAPFF wrote to all FTSE 100 companies in December 2024 to improve understanding of how companies were approaching risk mitigation and to signal increasing investor interest and concern on the risks associated with business in CAHRAs. LAPFF have sought engagement with the following companies which had received conflict related shareholder resolutions at AGMs - Mondelez, JPMorgan Chase & Co, Texas Instruments, Eli Lilly, Lockheed Martin, and RTX.

In relation to the development of national policy, LAPFF acts as a conduit for local authority pension fund concerns to be raised politically through its participation in the All-Party Parliamentary Group (APPG).

LAPFF business meetings are held on a quarterly basis and the Chair issues a weekly update to ensure LAPFF members are briefed on ongoing developments.

Measuring Climate Risk
As part of the Statement of Responsible Investment Principles, the Fund has made the following commitments:

Commitment 1 - To measure carbon-equivalent emissions in equity portfolios.

Emissions for calendar years 2021 – 2024 across various Fund mandates are set out in the table below:

Manager	2021	2022	2023	2024	% Change 2023-2024	% Change 2021-2024
LGIM UK Equity	121.8	118.9	85.3	71.3	-16.4%	-41.5%
LGIM North America	127.9	140.9	103.2	94.3	-8.6%	-26.3%
LGIM Europe (ex UK)	113.5	112.2	88.3	83.7	-5.2%	-26.3%
LGIM Japan	87.6	89.9	83.5	71.3	-14.6%	-18.6%
LGIM Asia	192.8	193.6	163.3	154.3	-5.5%	-20.0%
LGIM Emerging Markets	385.6	384.5	380.8	375.3	-1.4%	-2.7%
LGIM Reduced Carbon Pathway	215.5	183.3	153.4	153.1	-0.2%	-29.0%
LPFI Global high Dividend	-	-	102.6	79.2	-22.8%	-

LGIM / LPFI Global Low Volatility	-	462.2	383.5	316.5	-17.5%	-
Pictet Global Environmental Equity	153.2	169.5	150.6	152.1	+1.0%	-0.7%
SMURV	-	-	-	101.8	-	-
Schroders UK Equity	185.5	112.6	90.8	73.1	-19.5%	-60.6%
Total Equities	**181.5**	**178.7**	**148.5**	**140.9**	**-5.1%**	**-22.4%**
Baillie Gifford Investment Grade Bonds	54.1	24.7	47.3	50.8	+7.4%	-6.1%
LGIM 6A Corporate Bonds	37.1	31.0	36.8	32.0	-13.0%	-13.7%
Total Equities and Corp. Bonds	**179.7**	**171.0**	**142.6**	**137.2**	**-3.8%**	**-23.7%**
Sovereigns (UK Gilts)	-	131.7	131.7	123.5	-6.2%	-
Sovereigns (US TIPS)	-	255.8	255.8	234.1	-8.5%	-
MSCI ACWI	151.0	155.9	122.4	113.8	-7.0%	-24.6%
MSCI UK	99.8	104.6	98.7	80.9	-18%	-18.9%

Source: MSCI/Fund Managers
Cells with " - " denote the mandate has not been held in the assessment period

Reported emissions are the weighted average carbon intensity (WACI) of each portfolio measured in tons of CO2 / $m sales. Data relates to Scope 1 and Scope 2 emissions and has been sourced from MSCI and the relevant managers.
Based on four years' worth of data, the Fund's equity WACI was down 22%. Virtually all mandates have seen significant declines, reflecting the real-world decarbonisation trend. This scale of reduction was broadly in line with the MSCI ACWI (All Countries World Index) which decreased by 24% over the same period.

The downwards trend is further delineated by looking at the Fund's 6-year equity numbers versus the MSCI ACWI as follows:

Fund Assets / Benchmark	**2019 WACI**	**2020 WACI**	**2021 WACI**	**2022 WACI**	**2023 WACI**	**2024 WACI**	**5-year change**
Falkirk Equities	223	186	182	179	143	141	-37%
MSCI ACWI (Global Equities)	178	155	151	156	122	114	-31%

It should be borne in mind that the MSCI ACWI is dominated by less carbon intensive industries (i.e. US "big tech"). On that basis, it is to be expected that a more diversified portfolio such as that of the Fund will have a higher WACI number.

It is important to stress that the Fund does not invest to minimise its carbon emissions. Instead, for those investments it makes, it expects companies to be taking steps to manage their carbon risk. Decarbonisation is anticipated to be a long-term downwards trend. This may be volatile from year to year as portfolios change and certain sectors experience abnormal performance in any one year.

Commitment 2 - To put capital into projects benefiting from the low carbon transition.

The Fund's investments in the Pictet Global Environmental Opportunities Fund, the Legal and General RAFI Fundamental Global Reduced Carbon Pathway Index Fund and, separately, into private market investments such as UK windfarms, solar farms and low carbon transport are reflective of this commitment.

Commitment 3 - To assess the carbon intensity of all assets (using estimates if necessary) by the end-of the 2023/24 reporting cycle.

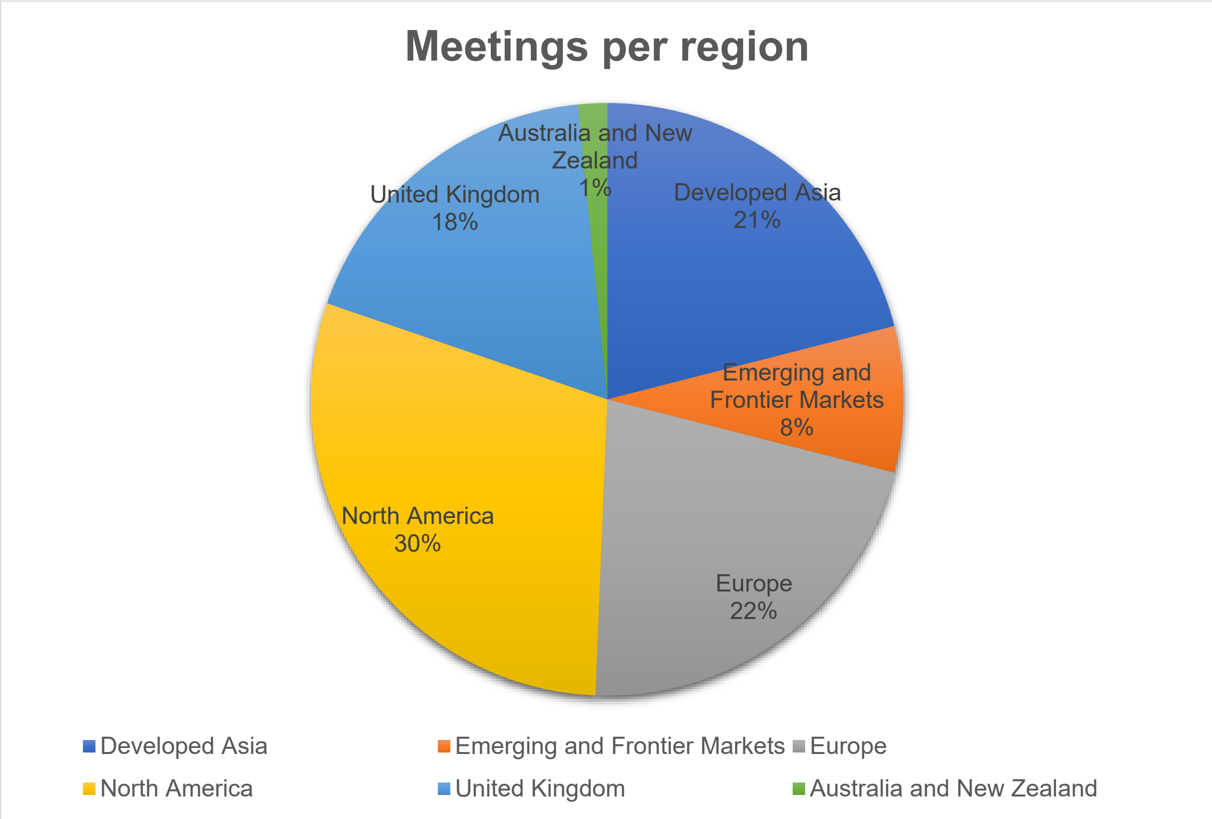
The Fund continues to work with its managers, notably in private markets, towards measuring carbon levels across all assets. In recent years, reporting has been extended to include Sovereigns (i.e. UK Gilts and US TIPS). Overall, this remains challenging to complete fully in view of the number of investments held by the Fund in the private market space.

Voting

Shareholder voting is a key tool in the Fund's armoury as a responsible investor. Proxy voting on segregated mandates is one of the services to the Fund by engagement specialists Hermes EOS.

During 2024/25, Hermes EOS made voting recommendations at 314 meetings (4,966 resolutions). Voting against or abstaining was recommended for 608 resolutions.

The chart on the next page shows geographical location of the meetings:



Source: EOS Hermes

The voting covered areas such as board structure, remuneration, shareholders resolutions, climate risk, capital structure and dividends, audit and accounts.

Notable “for” votes included:

- Shell– an advisory vote to align company’s medium-term emissions reduction targets covering the greenhouse gas emissions of the use of its energy products (Scope 3) with the goals of the Paris Agreement
- Amazon – shareholder proposals asking for a report on customer due diligence, freedom of association and warehouse working conditions
- Meta - shareholder resolution to report on generative AI risk, human rights in non-US markets and child safety
- Toyota – shareholder proposal requesting disclosure on company’s climate related lobbying activities.

Notable “against” votes included:

- Shell – Remuneration report based on concerns that the award above target on the Energy Transition component of the long-term incentive plan is not aligned to overall performance in this area
- Shell – Energy transition Strategy being misaligned with the goals of the Paris agreement

- Tesla – against the ratification of the 2018 CEO performance award, directors due to on-going concern regarding classified board structure, low diversity and board independence
- BHP Billiton – against the remuneration items due to concern to the pay structure and Climate Transition Action Plan due to being insufficiently aligned to 1.5°C.

Litigations

The Fund is participating in a legal action ("a Class Action") with a large number of other investors against BHP Billiton in relation to the collapse of the Samarco dam in Brazil in 2015 which killed 19 people and caused environmental upheaval. It is contended that from 2013, BHP knew that there was a material risk the dam would collapse. As a result, it is alleged that they breached disclosure obligations and misled the market. The case is being heard in Australia and continues to be ongoing.

Risk Management

Overview
Risk is an inherent feature of pension fund management. This may be risk in entrusting fund monies to an investment manager, a systems failure or adverse world events.

The Fund integrates risk management into its governance process by having a Risk Management Policy which explains the risk management strategy for the Fund, including:

- risk philosophy
- implementation process
- roles and responsibilities
- key internal controls

The policy seeks to ensure that the Fund:

- integrates risk management into its culture and day-to-day activities
- has a robust framework for the identification, analysis, assessment and management of risk
- minimises the probability of negative outcomes for the Fund and its stakeholders

Risk Identification, Management and Review
The Fund has adopted the following “virtuous circle” for identifying, managing and reviewing risk:

Risks are identified through a variety of means, including:

- performance measurement against agreed objectives
- feedback from employers and other stakeholders
- liaison with other organisations, national associations, professional groups, etc.
- soundings from the Pensions Committee, Pension Board and Fund Advisers
- knowledge, observations and experiences of Officers

- findings of internal and external audit

Risks are allocated a risk score depending on their impact and likelihood of occurrence. Depending on the score, risks are classified as being:

Level of Risk	Consequences
Low	Fund considers this level of risk tolerable
Medium	Fund expects this level of risk to be contained with minimal intervention
High	Fund is concerned about this type of risk and looks to manage it through mitigation and action plans
Very High	Fund is very concerned with this type of risk and looks to eliminate or contain it through a combination of contingencies, mitigations and short-term action plans

Risks are documented in the Fund's risk register, together with the actions put in place to mitigate the risk. Management of each risk is allocated to a senior Fund officer or officers.

In relation to any heightened areas of risk or newly identified risks, the Pensions Committee and Pension Board are updated as required. Additionally, the register is normally reviewed by senior officers at meetings attended by the Board Chairs. Once reviewed, the register is taken to the Pensions Committee for formal approval. Changes to the current risk register were formally approved at the meeting on the 14 March 2024.

The Pensions Committee has also approved the use of an Assurance Map (as endorsed by the Chartered Institute of Internal Auditors) to systematically categorise risk controls and to provide reassurance that key risk mitigations were being visited appropriately through the audit programme. More information on this can be found in the Annual Governance Statement.

The risk management process is supported by the following strategic documents:

- the Fund Business Continuity Document
- the Fund Risk Management Policy
- the Council (Finance) - Business Continuity Recovery Plan
- the Council Corporate Risk Management Policy and Framework

Collectively, the documents deal with the Fund's planned responses to any unexpected interruption to service delivery and the wider risk environment in which the Fund operates as part of Falkirk Council.

The risk management process is intended to be consistent with the Managing Risk recommendations outlined in the Pension Regulator's Code of Practice.

Key Risks and Mitigations

The areas of greatest risk and the main mitigations put in place by the Fund are as follows (NB per risk register as at 31 March 2024):

Identified Risk (classified as Very High)	Responsible Officers	Mitigating Actions	Risk Rating Post Mitigation
Funding position affected by legal cases and government policies beyond Fund control e.g. (McCloud / GMP rectification / Goodwin / Cost Cap)	Chief Finance Officer Pensions Manager	• National circulars/bulletins • Discussion at national technical group • Engagement with Fund actuary re the likely impact	High
Asset valuations adversely affected by the impact of climate change	Pensions Manager	• Engagement with investee companies by Fund managers • Fund has dedicated engagement advisers • Members of LAPFF / IIGCC / Climate Action 100+ • ESG Themed mandate in place • Carbon foot-printing exercise • Preparation for mandatory TCFD reporting • Adoption of Statement of Responsible Investment Principles • Exercising voting rights and supporting climate change resolutions at AGMs e.g. Barclays and BP	High
Lack of knowledge, skills and leadership amongst Committee, Board and Officers	Chief Finance Officer Pensions Manager	• Training Policy in place • Attendance at conferences or webinars • Access to wide variety of advice • Experienced officers	High
Succession planning inadequate	Chief Finance Officer Pensions Manager	• Delegations to officers and advice from JIF • Council's staff training and development policies • Reduce key person risk through rotation of duties	High

		• Staff access to group and web based forums • Collaborations with Lothian and Fife • Implementation of staff training programme • Liaison with administering authority and participating employers with need for continuity planning on Committee and Board • Review of Staff Structure	
Failure to issue all benefit statements by due date	Pensions Manager Pensions Officers	• Fund has regular contact with employers • Employer training sessions held as required • Pensions data collected monthly from all employers • Pension administration strategy in development	High
Failure to adhere to regulatory standards (TPR) for admin and governance	Pensions Manager Pensions Officers	• Receipt and review of industry publications • Access to specialist scheme wide advisers (LGA) • Review of results of TPR surveys / reports – focus on policies, processes and people • Participate in Regulator Surveys and provide Scheme Return annually • Rolling data improvement plan in place • Pension administration strategy in development	High
Failure to be data ready and able to supply required data for proposed Pensions Dashboard onboarding planned for 2025	Pensions Manager Pensions Officers	• Pension administration system provider is developing a data transfer system • Data cleansing tools available and used • Data quality audit undertaken • Data review and improvement plan put in place	High
Cyber security attack	Pensions Manager Pensions Officers	• Cyber credentials of key suppliers checked annually • Heywood annual penetration test report.	High

		• Pension administration system Cloud hosted to further enhance security • Falkirk Council holds Cyber Essentials certification as well as having ongoing Public Service Network (PSN) Certification • Staff regularly reminded of possible phishing etc • Staff undertake annual computer based cyber security training	
Inaccurate member data on Altair or incomplete member data due to employer omissions (affecting member benefits and liability calculations)	Pensions Manager	• Online data submissions directly from employer • Employer training sessions • Year end and monthly queries followed up with employers who are made aware of any themes • Data cleansing tools available and used • Data quality audit undertaken • Data review and improvement plan put in place • Trained staff review of records • Address tracing undertaken periodically • Use of TUO service to notify of deaths	High
Staff error or backlogs in service delivery	Pensions Manager Pensions Officers	• Experienced core workforce • Additional staff recruited • Industry standard pensions admin system • Transactions subject to checking mechanism • Robust staff selection procedures • Online procedures manual • Annual staff training • Outstanding caseload monitored	High

Data Security and Cyber Risk

The Fund is responsible for a large volume of personal highly sensitive data. The Fund operates within the context of Falkirk Council's wider information security arrangements. These are set out in the Council's Information Security Policy which has a general objective of complying with the BS7799-2 Code of Practice for Information Systems Security. In particular, the Council is compliant with the Public Services Network (PSN) and Cyber Security Essentials accreditation regimes.

At the Pensions Team level, the following arrangements are in place to safeguard data:

- Staff are trained regularly on their obligations in respect of confidentiality, data protection and information security
- New staff have these responsibilities and policies explained to them as part of their induction and their understanding is checked
- Where data must be transferred off site, the Fund uses either secure FTP, VPN, or SharePoint - a secure Microsoft file exchange application
- Data classed as sensitive personal data transferred on site is password protected
- Paper records are securely destroyed
- Password protected laptops are provided to all staff to enable them to work in or away from the office, as part of the business continuity plan
- The Pensions Administration System complies with the standards contained in ISO/IEC 27001 information security management
- Data Processing Agreements are in place with third party processors (e.g. the Fund Actuary and the vendor of the administration software and its suppliers)
- A data sharing agreement is in place with the pensions authority that maintains the LGPS National Insurance database.

The requirements of the General Data Protection Regulations which came into force on 25 May 2018 mean that the Fund has published and maintains a comprehensive Privacy Notice to explain, why the Pensions Team collects personal data, with whom they share data and the length of time for which that data is retained.

The Fund has entered into a Memorandum of Understanding with each of the Fund's constituent employers to ensure that they are aware of the data security standards that is expected of them and that they are aware of the standards they can expect from the Fund.

Investment Risk

Investment risks include price volatility risk, currency risk, counterparty risk, interest rate risk and inflation risk. A more detailed explanation of these risks can be found in the Fund's Statement of Investment Principles (see Appendix 3).

The Fund's overall investment policy is to seek to reduce its exposure to more volatile riskier asset classes as market opportunities arise (e.g. bond yields rise and liabilities fall). This is consistent with Fund commitments to allocate capital to asset classes such as Infrastructure and senior Private Debt.

Clearly, giving third party investment managers the right to transact on behalf of the Fund carries a major risk. To gain assurance that managers are exercising responsible stewardship of the assets under management, the Fund and its advisers have regular calls and meetings with the managers and discuss manager performance with Fund advisers. Further assurance comes from the individual manager/administrator internal controls reports where available, details of which are as follows:

Fund manager/administrator	Type of report	Assurance obtained	Service Auditors
Abrdn	AAF 01/20/ ISAE3402	Reasonable assurance	KPMG LLP
Alcentra/Atestine/Bridges/CVC/Unite/Apex Group Ltd	SSAE18 & ISAE3402	Reasonable assurance	Deloitte
Ardian	ISAE 3402	Reasonable assurance	PWC LLP
Ancala/Octopus/IQ-EQ	SSAE18 & ISAE3402	Reasonable assurance	BDO LLP
Apogem Capital/S&P Global Limited	SOC 2	Reasonable assurance	EY LLP
Baillie Gifford	ISAE 3402	Reasonable assurance	PWC LLP
Barings	AICPA & ISAE3402	Reasonable assurance	Grant Thornton
Blackrock/Brookfield/State Street	SOC 1	Reasonable assurance	EY LLP
Blackrock/BNP Paribas	ISAE 3402	Reasonable assurance	PWC LLP
Dalmore Capital	ISAE 3402	Reasonable assurance	PWC LLP
GCM Customised Fund Investment Group	attestation standards established by the American Institute of Certified Public Accountants	Reasonable assurance	EY LLP
Global Infrastructure Partners/JP Morgan	ISAE 3402/ attestation standards established by the American Institute of Certified Public Accountants	Reasonable assurance	PWC LLP
Gresham House/Ocorian	ISAE 3402	Reasonable assurance	Grant Thornton
Hermes/Northern Trust	SOC1	Reasonable assurance	KPMG
Iona Capital/Langham Hall	AAF 01/20/ ISAE3402	Reasonable assurance	Haysmacintyre LLP

InfraCapital/ M&G Investments Ltd	AAF 01/20/ ISAE3402	Reasonable assurance	PWC LLP
Equitix	ISAE 3042	Reasonable assurance	BDO LLP
L&G/JTC (Jersey) Ltd	ISAE3402	Reasonable assurance	PWC LLP
Legal & General	AAF 01/20/ ISAE3402	Reasonable assurance	KPMG LLP
Macquarie/AlterDomus	ISAE3402	Reasonable assurance	EY LLP
Patria	ISAE3402	Reasonable assurance	BDO LLP
Pictet Asset Management Limited	ISAE3402	Reasonable assurance	PWC LLP
Schroder Investment Management	AAF 01/20/ ISAE3402	Reasonable assurance	EY LLP
Vauban/Caceis	ISAE3402	Reasonable assurance	EY LLP

Statements of Responsibilities

Administering Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of the financial affairs of the Falkirk Council Pension Fund and to secure that one of its officers has responsibility for the administration of those affairs. In Falkirk Council, that officer is the Chief Finance Officer
- 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)
- manage the Fund's affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the Annual Accounts for signature

I confirm that these Annual Accounts were approved for signature by the Falkirk Council Pension Fund Committee at its meeting on 25 September 2025.

Councillor Lorna Binnie
Chair of the Pensions Committee

Chief Finance Officer Responsibilities

The Chief Finance Officer is responsible for the:

- preparation of the Fund's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code)

In preparing the Annual Accounts, the Chief Finance Officer 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 is compatible with legislation)

The Chief Finance Officer has also:

- kept adequate accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities

Certificate by the Chief Finance Officer

I certify that the financial statements give a true and fair view of the financial position of the Pension Fund as at 31 March 2025 and the transactions of the Pension Fund for year ended 31 March 2025.

Amanda Templeman, CPFA
Chief Finance Officer (Falkirk Council)

Independent Auditor's Report to the members of Falkirk Council as administering authority for Falkirk Council Pension Fund and the Accounts Commission

Pension Fund Account

This statement shows the summary of income and expenditure of the Pension Fund and separates those transactions which are related to dealings with members from those transactions which are a consequence of investment.

Dealings with members, employers and others directly involved in the fund	**2023/24 in '000**	**2024/25 in '000**	**Note**
Contributions	(99,792)	(107,301)	7
Transfers in from other pension funds	(8,664)	(12,748)	8
	(108,456)	**(120,049)**	
Benefits	106,110	117,736	9
Payments to and on account of leavers	10,831	20,132	10
	116,941	**137,868**	
Net (additions)/withdrawals from dealings with members	**8,485**	**17,819**	
Management expenses	17,789	16,820	11
Net (additions)/withdrawals including fund management expenses	**26,274**	**34,639**	
Return on Investment			
Investment income	(82,062)	(99,730)	12
Taxes on income	1,975	3,528	
Profit and losses on disposal of investments and changes in market value of investments	(195,763)	(50,049)	14a
Net return on investments	**(275,850)**	**(146,251)**	
Net (increase)/decrease in the net assets available for benefits during the year	**(249,576)**	**(111,612)**	
Opening net assets of the scheme	**3,195,245**	**3,444,821**	
Closing net assets of the scheme	**3,444,821**	**3,556,433**	

Pension Fund Net Asset Statement

This statement discloses the size and type of the net assets of the Fund at the end of the financial year.

	2023/24 in ‘000	2024/25 in ‘000	Note
Investment assets	3,431,372	3,540,639	14
Investment liabilities	(6,576)	(1,938)	14
Total net investments	**3,424,796**	**3,538,701**	
Long-term assets	70	17	21a
Current assets	23,547	21,742	21
Current liabilities	(3,592)	(4,027)	22
Net Assets of the fund available to fund benefits at the period end	**3,444,821**	**3,556,433**	

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in Note 20.

The unaudited Statement of Accounts was issued by the Chief Finance Officer on 24 June 2025.The Statements of Accounts present a true and fair view of the financial position of the Pension Fund as at 31 March 2025 and its income and expenditure for the year ended 31 March 2025.

Events taking place after this date are not reflected in the financial statements or notes. There have been no material events since the date of the Net Asset Statement which have required the figures in the financial statements and notes to be adjusted.

Amanda Templeman, CPFA
Chief Finance Officer (Falkirk Council)
24 June 2025

Notes to the Accounts

1. Fund and Scheme Overview

As part of its statutory obligations, Falkirk Council is required to operate the terms of the Local Government Pension Scheme (LGPS), including the maintenance and administration of a pension fund.

The LGPS is a public service pension scheme which provides defined benefits on a career average basis (NB benefits built up before 1 April 2015 are provided on a final salary basis). The Scheme falls under the regulatory framework of the Public Service Pensions Act 2013. The Scheme is also registered with HM Revenue and Customs as a UK approved pension scheme and was formerly contracted-out of the State Second Pension.

The Scheme's rules are made by the Scottish Ministers through the office of the Scottish Public Pensions Agency and are set out primarily in the following statutory instruments:

- the Local Government Pension Scheme (Scotland) Regulations 2018
- the Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014
- the Local Government Pension Scheme (Governance) (Scotland) Regulations 2015
- the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010

The regulations are supplemented by guidance from the Scottish Ministers and the Government Actuary's Department. Best practice guidance is provided by the Pensions Regulator.

Administration of the Falkirk Council Pension Fund is undertaken by an in-house team who oversee the Fund's investments and the benefits of its scheme members. This includes the contributors, deferred and pensioner members of Clackmannanshire, Falkirk, and Stirling Councils, as well as around 20 other employers. Teachers (who are also local authority employees) do not come within the scope of the LGPS as they have their own national pension arrangement. A full list of employers who participate in the Falkirk Council Pension Fund is included in this report in Appendix 2.

Membership

Membership of the LGPS is voluntary. However, employees are automatically enrolled into the Scheme either as a result of automatic enrolment legislation or by virtue of the Scheme's own contractual enrolment provisions. Employees are free to choose whether to remain in the Scheme or, having opted out, rejoin at a later date.

Organisations participating in the Scheme fall into two categories:
Scheduled Bodies - organisations such as local authorities that are required by statute to offer the Scheme to their employees.

Admission Bodies - mainly charitable, non-profit making bodies that have reached an agreement with an Administering Authority to participate in the Scheme.

Full details of membership numbers are contained on page 37 of the Annual Report.

Benefits
Before 1 April 2015, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2015, the scheme became a career average scheme and members build up a pension that is based on 1/49th of their pensionable pay in that year. The pension that is built up is then revalued each year in line with the Consumer Prices Index.

The Scheme's benefits are summarised in the table below:

	Service before 1 April 2009	**Service after 31 March 2009**	**Service after 31 March 2015**
Pension	Each year worked is worth 1/80th x final pensionable salary	Each year worked is worth 1/60th x final pensionable salary	Each year worked is worth 1/49th of pensionable earnings
Lump Sum	Automatic lump sum of 3 x annual pension In addition, part of the pension may be exchanged for a lump sum. The conversion rate is £12 of lump sum for each £1 of pension surrendered.	No automatic lump sum Part of the pension may be exchanged for a lump sum. The conversion rate is £12 of lump sum for each £1 of pension surrendered.	No automatic lump sum Part of the pension may be exchanged for a lump sum. The conversion rate is £12 of lump sum for each £1 of pension surrendered.

Where the lump sum is greater than the maximum tax free lump sum permitted by HM Revenue and Customs (25% of the capital value of the Scheme benefits), a tax charge will apply.

Additionally, the Scheme provides a range of guaranteed inflation linked benefits including early payment of pension and lump sum on ill health or redundancy grounds and death and survivor benefits.

More information about scheme benefits can be found in the Joining the Scheme section located on the Fund website at www.falkirkpensionfund.org.

Funding
Benefits are funded by contributions and returns on investments. Contributions are made by contributor members of the Fund in accordance with the Local Government Pensions Scheme (Scotland) Regulations 2018. The rate of employee contribution varies depending on a member's annual pensionable pay with designated pay bands attracting rates of between 5.5% and 12%.

Employer contributions are based on the results of a three yearly actuarial funding valuation. The last completed valuation was as at 31 March 2023, which set the rates for the 3 years from 2024/25 to 2026/27. For the majority of employers, contribution rates were in a range of 19.5% – 30.3% of pensionable pay. A copy of the 2023 valuation report can be found on the Fund website. The next valuation is scheduled for 31 March 2026.

2. Basis of Preparation

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

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The code requires the disclosure of information relating to the impact of an accounting change that will be required by new standards that have been issued but not yet adopted.

The standards introduced by 2025/26 Code are:
- IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack Of Exchangeability)
- IAS 17 Insurance Contracts
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Changes to the measurement of non-investment assets including adaptation and interpretation of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

None of the matters covered above are expected to have significant impact on the amounts to be reported in the financial statements.

The accounts report on the net assets available to pay pension benefits. They do not take account of the obligation to pay pensions and benefits which fall due after the end of the financial year, nor do they take account of the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement or in the notes to the accounts by appending an actuarial report for this purpose. The Fund has opted to disclose this information in Note 20.

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Fund will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue; this being at least 18 months from the approval of these financial statements at 25 September 2025.

3. Summary of Significant Accounting Policies

Fund Account - revenue recognition

a) Contribution income

Normal contributions are accounted for on an accrual basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all employees which rise according to pensionable pay
- Employer contributions are set at the percentage rate recommended by the Fund actuary for the period to which they relate

Employer deficit funding contributions are accounted for on the basis advised by the Fund actuary in the rates and adjustment certificate included in the actuarial valuation report. Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset.

b) Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the Fund.

Individual transfers in/out are accounted for when received or paid. 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 Note 8.

Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

c) **Investment income**

- Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.
- Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- Income from unquoted investments is recognised when distribution is paid by the Manager. Distributions are split into capital and income elements. Income elements are included under investment income in the Fund Account.
- Rental income from operating leases on properties owned by the Fund is recognised on a straight-line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.
- Changes in the value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund Account - expense items

d) **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, providing that payment has been approved.

The Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998 [Section 31] allow 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. In order that such are not regarded as “unauthorised payments” by HMRC, these pension payments are met by the administering authority through a general fund bank account and recharged to the body or service which granted the benefit.
As “unfunded payments” are discretionary benefits, they are not relevant to the sums disclosed in the Fund accounts. Falkirk Council Pension Fund provides payment and billing services to certain employers on a no charge agency agreement basis.

e) Taxation

The Fund is a registered public service pension 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.

f) Management Expenses

The Fund discloses fund management expenses in accordance with the CIPFA guidance "Accounting for Local Government Pension Scheme Management Expenses (2016)", as shown below. All items of expenditure are charged to the Fund on accrual basis as follows:

- **Administrative Expenses**
  All staff costs of the Pensions Administration Team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.
- **Oversight and Governance Costs**
  All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.
- **Investment Management Expenses**
  Investment fees are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off returns by investment managers, these expenses are grossed up to increase the change in value of investments.

  Fees charged by external investment managers and custodians are set out 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.

Net assets statement

g) 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 in the Fund Account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13. For the purpose of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in “Practical Guidance on Investment Disclosures” (PRAG/Investments Association, 2016) (see Note 16).

h) Freehold and leasehold properties
The Fund’s directly owned property was valued at 31 March 2025 by independent external valuers on the fair value basis and in accordance with the latest edition of the RICS Valuation - Professional Standards (Red Book), see Note 16 for more details.

i) Foreign currency transactions and balances
Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.

j) Derivatives
Some of the Fund’s external managers used derivative financial instruments to manage the Fund’s exposure to specific risks arising from their investment activities. None of the derivatives were held for speculative purposes (see Note 15).

k) Cash and cash equivalents
Cash comprises cash in hand and demand deposits and includes amounts held by the Fund’s external managers. All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimal risk of changes in value.

l) Financial liabilities
A financial liability is recognised in the Net Assets statement on the date the Fund becomes party to the liability. The Fund recognises financial liabilities relating to investment trading at fair value as the reporting date, and any gains and losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the Fund Account as part of change in value of investments.

m) Actuarial present value of promised retirement benefits
The actuarial present value of promised retirement benefits is assessed on a triennial basis by the Fund Actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statements (see Note 20).

n) Additional voluntary contributions

The Fund provides an additional voluntary contributions (AVCs) scheme for its members, the assets of which are invested separately from those of the Fund. AVCs are not included in the accounts in accordance with Regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2010 but are disclosed for information in Note 23.

o) Contingent liabilities

A contingent liability arises where an event takes place before 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 is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes (see Note 25).

4. Critical Judgement in Applying Accounting Policies

Pension Fund Liability

The net pension fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted industry guidelines.

The estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 20.

Actuarial revaluations are used to set future contribution rates and underpin the Fund’s most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term return.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends, and future expectations. However, actual outcomes could be different from the assumptions and estimates made. The items in the Net Asset statement for which there is a significant risk of adjustment the following year are as follow:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 20)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	For instance: -a 0.1% p.a. increase in the pension increase rate would increase liabilities by £40m -a 0.1% increase in salary increase rate would increase liabilities by £3m -0.1% decrease in the real discount rate would increase future liabilities by £43m - 1 year increase in member life expectancy would increase liabilities by £101m.
Directly held property (Note 16)	Valuation techniques are used to determine the carrying values of directly held property. Where possible these valuation techniques are based on observable data, otherwise the best available data is used	Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property-based investments by up to 13% i.e. an increase or decrease of £351k on carrying values of £2.7m.
Private Equity Infrastructure/Private Debt (Note 16)	Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (December 2018). Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Private equity, infrastructure, private debt investments are valued at £590m in the financial statements. There is a risk that this investment may be under- or overstated in the accounts by up to 26% depending on asset class, i.e. an increase or decrease of £72m.

6. Events after the Balance Sheet Date

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

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

Events taking place after the date of authorisation for issue are not reflected in the statement of the accounts.

The Fund has received updated Private Equity/Infrastructure/Private Debt statements for 31 March 2025 after preparing the accounts. The variance between the valuation included in the accounts and the updated statements amounts to £3.3m (£2.7m at 31 March 2024). The amount is not material and therefore no adjustment has been made in the Net Asset Statement.

7. Contributions Receivable

By Category	**2023/24**	**2024/25**
	£'000	**£'000**
Employees' contributions	23,878	**24,929**
Employers' contributions	74,861	**82,320**
Employers' deficit recovery contributions	1,053	**52**
Total	99,792	**107,301**

By type of Employer	**2023/24**	**2024/25**
	£'000	**£'000**
Administering authority	42,848	**40,310**
Other scheduled bodies	67,387	**62,767**
Admitted bodies	(10,443)	**4,224**
Total	99,972	**107,301**

8. Transfers from Other Pension Funds

All transfers during the year related to individual transfer payments and not to bulk transfer in payments.

	2023/24	**2024/25**
	£'000	**£'000**
Individual transfers	8,664	**12,748**

9. Benefits Payable

By Category	2023/24	2024/25
	£'000	**£'000**
Pensions	78,746	**87,780**
Commutation and lump sum retirement benefits	23,730	**26,749**
Lump sum death benefits	3,634	**3,207**
Total	106,110	**117,736**

By type of Employer	2023/24	2024/25
	£'000	**£'000**
Administering authority	39,357	**42,324**
Other scheduled bodies	59,759	**68,893**
Admitted bodies	6,994	**6,519**
Total	106,110	**117,736**

10. Payments to and on Account of Leavers

By Category	2023/24	2024/25
	£'000	**£'000**
Refunds to members leaving service	236	**229**
Individual transfers	10,595	**3,685**
Bulk transfers	-	**16,218**
Total	10,831	**20,132**

11. Management Expenses

By Category	2023/24	2024/25
	£'000	**£'000**
Administrative costs	1,246	**1,311**
Investment management expenses	15,301	**14,362**
Oversight and governance costs	1,219	**1,147**
Project Forth	23	**-**
Total	17,789	**16,820**

11a. Investment Management Expenses

2024/25	Total	Management fees*	Performance related fees	Transaction costs
Bonds	**157**	157	-	0
Equities	**2,924**	2,117	-	807

Pooled Investments	**2,318**	1,843	-	475
Managed Property Funds	**2,119**	2,053	41	25
Private Equity	**375**	336	39	-
Infrastructure	**5,474**	4,926	533	15
Private Debt	**827**	722	105	-
		12,154	**718**	**1,322**
Custodian Fees	**157**			
Other	**11**			
	14,362			

* Management fees include investment management expenses and fees deducted directly from capital.

2023/24	**Total**	**Management fees***	**Performance related fees**	**Transaction costs**
Bonds	**70**	70	-	-
Equities	**3,015**	2,511	-	504
Pooled Investments	**3,512**	1,779	-	1,733
Managed Property Funds	**1,946**	1,894	43	9
Private Equity	**300**	322	(22)	-
Infrastructure	**5,030**	4,083	908	39
Private Debt	**1,017**	896	121	-
		11,555	**1,050**	**2,285**
Custodian Fees	**130**			
Other	**11**			
	15,301			

* Management fees include investment management expenses and fees deducted directly from capital.

In addition to the fees disclosed in this note, the Fund also incurred indirect management fees resulting from investments in fund of funds structures. The estimated value of these fees in 2024/25 is £1.2m (£1.1m in 2023/24).

Disclosed transaction costs are directly attributable to the acquisition, issue or disposal of financial assets or liabilities. They include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, transfer taxes and duties.

12. Investment Income

By Category	2023/24	2024/25
	£'000	**£'000**
Income from equities	41,308	**54,411**
Private equity income	766	**276**
Income from bonds	1,631	**2,690**
Pooled property investments	5,993	**5,810**
Directly owned property	273	**234**
Infrastructure	18,538	**20,048**
Private debt	7,124	**6,587**
Affordable housing	175	**257**
Cash and other income	6,254	**9,417**
Total before tax	82,062	**99,730**

13. Other Fund Account Disclosures

13a. External Audit Costs

	2023/24	2024/25
	£'000	**£'000**
Payable in respect of external audit	31	**32**

14. Investments

Investment Assets	2023/24	2024/25
	£'000	**£'000**
Bonds	407,017	**538,518**
Equities	1,317,528	**1,361,337**
Pooled investments		
Equities	637,515	**540,113**
Fixed income	155,939	**56,480**
Affordable housing	24,733	**25,302**
Other Investments		
Managed property funds	157,620	**162,198**
Directly owned property	2,950	**2,700**
Private equity	20,983	**12,146**
Infrastructure	518,490	**517,144**
Private debt	79,236	**60,962**
Cash deposits	94,144	**249,653**
Investment income due	10,347	**14,086**
Amounts receivable for sales	4,870	**-**
Total Investments Assets	3,431,372	**3,540,639**
Investments Liabilities		

Derivatives contracts: forward foreign exchange	(9)	**-**
Amounts payable for purchases	(6,567)	**(1,938)**
Total Investment Liabilities	(6,576)	**(1,938)**
Net Investment Assets	3,424,796	**3,538,701**

14a. Reconciliation of Movements in Investments and Derivatives

Period	**Market value 01/04/2024**	**Purchases at cost**	**Sales proceeds**	**Change in market value**	**Market value 31/03/2025**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Investment Assets					
Bonds	407,017	263,133	(53,326)	(78,306)	**538,518**
Equities	1,317,528	497,369	(567,700)	114,140	**1,361,337**
Pooled investments	818,187	-	(203,365)	7,073	**621,895**
Managed property funds	157,620	589	(3,077)	7,066	**162,198**
Directly owned property	2,950	-	-	(250)	**2,700**
Private equity	20,983	854	(7,948)	(1,743)	**12,146**
Infrastructure	518,490	41,012	(46,868)	4,510	**517,144**
Private debt	79,236	19,977	(36,850)	(1,401)	**60,962**
Derivatives: Forward Foreign Exchange	(9)	-	-	9	**-**
	3,322,002	**822,934**	**(919,134)**	**51,097**	**3,276,900**
Cash deposits	94,144	1,419	(352)	(1,068)	**249,653**
Amounts receivable for sale	4,870				**-**
Investment income due	10,347				**14,086**
Payable for purchases	(6,567)				**(1,938)**
Net investment assets	**3,424,796**			**50,029**	**3,538,701**

Period	Market value 01/04/2023	Purchases at cost	Sales proceeds	Change in market value	Market value 31/03/2024
	£'000	£'000	£'000	£'000	£'000
Investment Assets					
Bonds	273,775	158,422	(908)	(24,272)	**407,017**
Equities	1,053,899	456,770	(482,205)	289,064	**1,317,528**
Pooled investments	967,031	-	(64,173)	(84,671)	**818,187**
Managed property funds	161,582	3,045	(2,241)	(4,766)	**157,620**
Directly owned property	2,900	-	-	50	**2,950**
Private equity	31,048	767	(9,528)	(1,304)	**20,983**
Infrastructure	468,667	65,830	(37,718)	21,711	**518,490**
Private debt	77,970	13,439	(12,373)	200	**79,236**
Derivatives: Forward Foreign Exchange	-	-	-	(9)	**(9)**
	3,036,872	**698,273**	**(609,146)**	**196,003**	**3,322,002**
Cash deposits	132,499	3,623	(3,350)	(240)	**94,144**
Amounts receivable for sale	232				**4,870**
Investment income due	8,583				**10,347**
Payable for purchases	(2,599)				**(6,567)**
Net investment assets	**3,175,587**			**195,763**	**3,424,796**

14b. Investments Analysed by Fund Manager

	2023/24	2023/24	2024/25	2024/25
	£'000	%	£'000	%
LPFI Ltd	1,072,456	31.3	**1,445,245**	**40.9**
Schroder Investment Management Ltd	455,145	13.3	**539,673**	**15.3**
L&G Investment Management Ltd	502,143	14.7	**428,851**	**12.1**
Newton Investment Management Ltd	289,310	8.4	**-**	**-**
Pictet Asset Management	190,031	5.5	**169,214**	**4.8**
Dalmore Capital	122,274	3.6	**139,436**	**3.9**
Equitix Investment Management	74,793	2.2	**78,056**	**2.2**
Innisfree	59,549	1.7	**56,799**	**1.6**
Baillie Gifford & Co Ltd	138,387	4.0	**38,536**	**1.1**
Grosvenor Capital	52,867	1.5	**37,863**	**1.1**
Blackrock	30,226	0.9	**29,588**	**0.8**
Meridiam Infrastructure North America Corporation	25,918	0.8	**25,557**	**0.7**
Hearthstone	24,733	0.7	**25,302**	**0.7**
Vauban	23,060	0.7	**23,051**	**0.7**
Astatine Investment Partners	20,256	0.6	**21,573**	**0.6**
CVC Credit Partners	24,444	0.7	**21,278**	**0.6**
Ancala Partners	18,734	0.5	**18,289**	**0.5**
Global Infrastructure Partners	21,965	0.6	**18,195**	**0.5**
Iona Renewables	18,851	0.6	**16,411**	**0.5**
Barings	17,243	0.5	**12,881**	**0.4**
Hermes Investment Management	14,141	0.4	**14,462**	**0.4**
Brookfield Infrastructure Group	12,137	0.4	**13,252**	**0.4**
Gresham House	15,040	0.4	**12,847**	**0.4**
Wilshire Private Markets Group	14,745	0.4	**11,214**	**0.3**
Macquarie	11,678	0.3	**11,124**	**0.3**
Alcentra	14,722	0.4	**11,086**	**0.3**
Greensphere	12,469	0.4	**10,322**	**0.3**
Apogem Capital	15,139	0.4	**10,222**	**0.3**
The Unite Group	9,516	0.3	**10,221**	**0.3**
Abrdn	14,786	0.4	**8,741**	**0.2**
Octopus Real Estate	7,506	0.2	**7,799**	**0.2**
InfraRed Capital Partners Ltd	6,722	0.2	**6,906**	**0.2**
Ardian	6,011	0.2	**6,047**	**0.2**
Resonance Wind	3,254	0.1	**5,373**	**0.2**
Bridges Fund Management Ltd	4,807	0.1	**5,259**	**0.1**
KKR	5,969	0.2	**5,088**	**0.1**
InfraCapital Partners	4,334	0.1	**3,456**	**0.1**
Harbert Management Corporation	1,915	0.1	**1,808**	**0.1**
Patria	-	-	**932**	**-**

UBS/Greensands	727	0.0	**-**	**-**
Directly Owned Property	2,950	0.1	**2,700**	**-**
In-House Cash	63,843	1.9	**227,155**	**6.6**
Total	3,424,796	100	**3,538,702**	**100**

The Fund holds the following investments in pooled funds, which are in excess of 5% of the value of the Fund.

	2023/24	2023/24	2024/25	2024/25
	£'000	%	**£'000**	**%**
L&G RAFI Fundamental Global Reduced Carbon Pathway Eqy Idx	202,768	5.92	**183,601**	**5.19**

14c. Securities Lending

The Fund did not participate in any stock lending programmes.

14d. Property Holdings

The Fund's investment in its property portfolio comprises investments in pooled property funds and a number of directly owned properties at West Mains Industrial Estate, Falkirk, which are leased commercially to various tenants.

The future minimum lease payments receivable by the Fund in respect of West Mains Industrial Estate are as follows:

	2023/24	2024/25
	£'000	**£'000**
Within one year	219	**212**
Between one and five years	252	**560**
Later than five years	-	**216**
Total	471	**988**

15. Analysis of Derivatives

The Fund didn't hold any derivatives as of 31st of March 2025.

The table below shows previous year balance held by Newton in respect of currency forwards contracts used as hedges reducing the extent to which Newton's portfolio was exposed to currency movement.

Settlement	Currency bought	Local Value	Currency Sold	Local Value	Asset Value	Liability Value
		' 000		' 000	' 000	' 000
Under 1 month	GBP	3,679	KRW	3,688	-	(9)

Open forward currency contracts at 31 March 2024	-	(9)
Net forward currency contracts at 31 March 2024	-	

16. Fair Value – Basis of Valuation

All investment assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information. There has been no change in the valuation techniques used during the year.

Assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 – where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities, comprising quoted equities, quoted bonds and unit trusts.

Level 2 – where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data.

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

The valuation basis for each category of investment asset is set out below:

Description of asset	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Level 1			
Quoted equities	The published bid market price on the final day of the accounting period	Not required	Not required
Cash and cash equivalents	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Amounts receivable from investment sales	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Investment debtors and creditors	Carrying value is deemed to be fair value because of the short-term nature of	Not required	Not required

	these financial instruments		
Level 2			
Gilts, TIPS (Treasury Inflation Protected Securities)	Fixed income securities are priced based on evaluated prices provided by independent pricing services.	Evaluated price feeds	Not required
Pooled investments – equities, fixed income, and managed property funds	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
Level 3			
Directly held property / Affordable Housing	Valued at year end by external valuer DM Hall/Allsop in accordance with the Royal Institute of Chartered Surveyors' Red Book Global Valuation Standards (introduced with effect from 31 January 2020)	• Existing lease Terms • Nature of tenancies • Covenant strength • Vacancy levels • Estimated rental growth • Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices
Private Equity/ Infrastructure /Private Debt	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 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 changes to expected cashflows or by differences between audited and unaudited accounts

Sensitivity of assets valued at level 3

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

	Assessed valuation range (+/-)	Value at 31 March 2025	Potential change (+/-)	Value on increase	Value on decrease
	%	**£'000**	**£'000**	**£'000**	**£'000**
Infrastructure	12.0%	517,144	62,057	579,201	455,087
Private debt	10.5%	60,962	6,401	67,363	54,561
Private equity	26.0%	12,146	3,158	15,304	8,988
Affordable housing	13.0%	25,302	3,289	28,591	22,013
Directly held property	13.0%	2,700	351	3,051	2,349
		618,254	**75,257**	**693,511**	**542,997**

16a. Fair Value Hierarchy

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

Values at 31 March 2025	**Quoted market prices Level 1**	**Using observable inputs Level 2**	**With significant unobservable inputs Level 3**	**Total**
Financial assets at fair value through profit and loss	**£'000**	**£'000**	**£'000**	**£'000**
Bonds		538,518		**538,518**
Equities	1,361,337			**1,361,337**
Pooled Investments		596,593	25,302	**621,895**
Managed Property Funds		156,939	5,259	**162,198**
Private Equity			12,146	**12,146**
Infrastructure			517,144	**517,144**
Private Debt			60,962	**60,962**
Cash deposits	249,653			**249,653**
Investment income due	14,086			**14,086**
Amounts receivable from sale	-			**-**
Net investments assets	**1,625,076**	**1,292,050**	**620,813**	**3,537,939**
Non-financial assets at fair				

value through profit and loss				
Property			2,700	**2,700**
Financial liabilities at fair value through profit and loss				
Payable for investment purchases	(1,938)			**(1,938)**
Total	**1,623,138**	**1,292,050**	**623,513**	**3,538,701**

16b. Reconciliation of fair value measurements within Level 3

	Infrastructure	**Private debt**	**Private equity**	**Affordable housing**	**Directly held property**	**Total**
	in £'000	in £'000	in £'000	in £'000	in £'000	**In £'000**
Value at 31 March 2024	518,490	79,236	20,983	24,733	2,950	**646,392**
Purchases	41,013	19,977	854	-	-	**61,844**
Sales	(46,867)	(36,851)	(7,948)	(323)	-	**(91,989)**
Unrealised gains and losses*	(17,541)	(2,251)	(489)	892	(250)	**(19,639)**
Realised gains and losses*	22,049	851	(1,254)	-	-	**21,646**
Value at 31 March 2025	**517,144**	**60,962**	**12,146**	**25,302**	**2,700**	**618,254**

* Unrealised and realised gains and losses are recognised in the changes in value of investments line of fund account

	Infrastructure	**Private debt**	**Private equity**	**Affordable housing**	**Directly held property**	**Total**
	in £'000	in £'000	in £'000	in £'000	in £'000	**In £'000**
Value at 31 March 2023	468,667	77,970	31,048	24,456	2,900	605,041
Purchases	70,813	14,456	767	-	-	**86,036**
Sales	(37,718)	(12,373)	(9,228)	(683)	-	**(60,002)**

Unrealised gains and losses*	14,046	(862)	(4,838)	960	-	**9,306**
Realised gains and losses*	2,682	45	3,234	-	50	**6,011**
Value at 31 March 2024	**518,490**	**79,236**	**20,983**	**24,733**	**2,950**	**646,392**

* Unrealised and realised gains and losses are recognised in the changes in value of investments line of fund account

17. Classification of Financial Instruments

The following table analyses the fair value amounts of financial instruments by category and net assets statement heading. No financial assets were reclassified during the accounting period.

		2023/24			2024/25	
	Fair value through profit & loss	**Assets at amortised cost**	**Liabilities at amortised cost**	**Fair value through profit & loss**	**Assets at amortised cost**	**Liabilities at amortised cost**
Financial Assets	**In £'000**	**In £'000**	**In £'000**	**In £'000**	**In £'000**	**In £'000**
Bonds	407,017			538,518		
Equities	1,317,528			1,361,337		
Pooled Investments	818,187			621,895		
Manged Property Funds	157,620			162,198		
Private Equity	20,983			12,146		
Infrastructure	518,490			517,144		
Private Debt	79,236			60,962		
Cash		94,144			249,653	
Other investment balances		15,217			14,086	
Debtors		23,617			21,759	
	3,319,061	**132,978**	**-**	**3,274,200**	**285,498**	**-**
Financial Liabilities						
Other investment balances			(6,576)			(1,938)
Creditors			(3,592)			(4,027)
	3,319,061	**132,978**	**(10,168)**	**3,274,200**	**285,498**	**(5,965)**
Total		**3,441,871**			**3,553,733**	
Amounts not classified as financial instruments		**2,950**			**2,700**	
Total Net Assets		**3,444,821**			**3,556,433**	

18. Nature and Extent of Risks Arising from Financial Instruments

Risk and Risk Management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. the promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole portfolio. The Fund achieves this through asset diversification to reduce market risk and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure that it holds sufficient funds to meet future cash flows. Responsibility for the Fund's risk management strategy rests with the Pensions Committee. Risk management policies are reviewed on an on-going basis to reflect changes in activity and in market condition.

Types of Investment Risk

Fluctuations in overall price can arise from a variety of sources including market risk, interest rate risk, currency risk, credit risk, liquidity and refinancing. Each of these vary in importance and will not by themselves account for the overall pricing risk faced. To some extent they may offset each other. The Fund's analysis combines these factors when looking at the total market price risk.

(i) Market Risk

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

The objective of the Fund's risk management strategy as it relates to investments is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on assets. Investment risk is considered further in the Fund's Statement of Investment Principles.

In general, excessive volatility in market risk is managed by engaging a range of Fund Managers and products with differing approaches and philosophies and also through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund's approach to managing risk can be described in two fundamental ways:

- by maintaining asset class exposures such that risk remains within tolerable levels
- by applying maximum exposures to individual investments

(ii) Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is recognised by the Fund and its investment advisors. The Fund monitors the interest rate risk faced and will adjust its strategy in accordance with its Statement of Investment Principles. The Fund's direct exposure to interest rate movement as at 31 March 2025 is estimated to be around £849m (31 March 2024: £659m).

(iii) Currency Risk

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

The Fund's currency rate risk is recognised by the Fund and its investment advisors. In respect of cash deposits managed internally under the terms of the Cash Management Strategy, it is the Fund's policy to convert all non-GBP monies to GBP at the end of a month to reduce the currency risk faced. In respect of cash held with external Fund Managers, it is left to their discretion as to whether they wish to hedge their currency position or not.

The Fund's currency exposure as at 31 March 2025 is estimated to be around £1,054.7m (31 March 2024: £1,120.6m).

(iv) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's 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, the selection of high-quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The main area where risk is not reflected in a market price is cash deposits which at 31 March 2025 accounted for 7.3% of Fund assets (31 March 2024: 3.1%).

The increased level of cash is within the permitted range of the Fund's investment strategy allowing the cash holdings to be between 0%-15% of the Fund's value.

Held for investment purposes	Balance 31/03/2024 £'000	Moody's Credit Rating	Balances 31/03/2025 £'000
Northern Trust Global Investment Limited – Liquidity Funds	81,403	P-1	**240,805**
Aberdeen Standard Liquidity Fund (Lux) Sterling	5,000	AAA-mf	**5,000**
Northern Trust Company – Cash Deposits	2,978	P-1	**1,957**
Santander UK PLC	4,764	A1	**1,891**
Total investment cash	**94,145**		**249,653**
Held for other purposes			
Royal Bank of Scotland	13,047	A1	**11,739**
Total cash	**107,192**		**261,392**

As part of its approach to managing credit risk, the Fund has a Cash Management Policy which details:

- the counterparties with whom the Fund may have dealings
- the credit ratings that are deemed acceptable
- specific limits and conditions attaching to certain types of deposit

(v) Liquidity Risk

Liquidity risk reflects the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council in its capacity as Administering Authority therefore ensures that the Pension Fund has adequate cash and liquid resources to meet its commitments.

The majority of the Fund's investment assets (estimated to be around 76.8%) could be converted into cash within three months in normal market conditions.

(vi) Refinancing Risk

Refinancing risk is the risk that the Fund will be bound to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The Fund is not bound by any obligation to replenish its investments. In any event, the Fund does not have any financial instruments that have a refinancing risk as part of its management and investment strategies.

Sensitivity Analysis

The Fund's valuation is sensitive to fluctuations in its asset prices. The level of these fluctuations is known as "volatility" and will differ between asset classes. By analysing historical data, it is possible to gain an indication of the likely volatility of certain asset classes. The following analysis, prepared by ISIO, the Fund's external adviser on sensitivity, predicts the likely annual volatility of the Fund's assets on an aggregated basis.

Asset type	Potential price movement (+ or -)
Equities - Developed Markets	20.5%
Equities – Emerging Markets	28.0%
Private Equity	26.0%
Private Debt	10.5%
Property	13.0%
Infrastructure	12.0%
Corporate Bonds	8.9%
Fixed Interest Gilts	13.3%
Index-Linked Gilts	12.3%
Overseas bonds	12.1%
Cash	1.9%

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

The analysis uses asset class volatility assumptions, which are based on the standard deviation of annual returns over a 10-year period. The sensitivity analysis considers the potential upwards and downward change in value per asset class based on the assumed volatility.

At a total portfolio level, the analysis considers three volatility metrics:

- Total assets (excluding asset correlation): A weighted average of the Fund's overall asset volatility based on asset split and assumed asset class volatilities.
- Total assets (including asset correlation): A weighted average of the Fund's overall asset volatility based on asset split and assumed asset class volatilities, allowing for correlation between asset classes. Correlation assumptions between asset classes are based on the correlation of annual returns over a 10-year period.
- Total assets (including asset and liability correlation): A weighted average of the Fund's overall asset volatility based on asset split and assumed asset class volatilities, allowing for correlation between asset classes and fixed

interest government bonds (which is the basis of a liability comparator). Fixed interest government bond assumptions is an Over 15-year index.

The volatility metrics have decreased from last year's reporting primarily due to:

- a fall in the value of the Fund's equity allocation
- a larger cash balances as at the accounting year-end
- and a partial de-risking of the Fund's credit exposure.

The decline from last year in the volatility metric allowing for both asset and liability correlation is less pronounced than the uncorrelated and allowing for asset-only correlation. This is due to an increase in the absolute measure of gilt yield volatility – on which the Fund's liabilities are based. While the Fund's gilt exposure has increased, this was within the index-linked gilts allocation, whereas the underlying liability correlation uses nominal (fixed interest) gilts when allowing for liability correlation.

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 is less risk of assets losing value at the same time. Overall, the 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.

Position as at 31 March 2025

Asset type	Asset value £'m	Asset weight	Volatility	Potential change +/- in £'m	Value on increase £'m	Value on decrease £'m
Equities - Developed Markets	1,817.9	54.7%	20.5%	372.7	2,190.6	1,445.2
Equities – Emerging Markets	91.2	2.6%	28.0%	25.5	116.7	65.7
Private Equity	12.1	0.6%	26.0%	3.1	15.2	9.0
Private Debt	61.0	2.3%	10.5%	6.4	67.4	54.6
Property – Balanced	190.3	5.4%	13.0%	24.7	215.0	165.6
Infrastructure	517.1	15.1%	12.0%	62.1	579.2	455.0
Corporate Bonds	34.5	2.0%	8.9%	3.1	37.6	31.4
Fixed Interest Gilts	52.0	1.3%	13.3%	6.9	58.9	45.1
Index-Linked Gilts	444.8	10.7%	12.3%	54.8	499.6	390.0
Overseas bonds	63.4	2.4%	12.1%	7.7	71.1	55.7
Cash	254.4	2.8%	1.9%	4.8	259.2	249.6
Uncorrelated	**3,538.7**	**100.0%**	**16.2%**	**571.8**	**4,110.5**	**2,966.9**
Including asset correlations	**3,538.7**		**12.3%**	**436.8**	**3,975.5**	**3,101.9**
Including asset & liability correlations	**3,538.7**		**14.8%**	**524.1**	**4,062.8**	**n/a**

The "Potential change" column shows the monetary effect of the expected volatility relative to each asset class. 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 also be seen that the risk to the overall Fund assets 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 is not measured in absolute terms, but relative to its liabilities. This risk is shown in the bottom row of the table. The risk is lower than the absolute asset risk, due to the impact of correlation with the discount rate used to value the liabilities. It should be noted that the asset allocation used for this analysis will differ to that shown in the financial statements earlier. This is due to the Fund reporting its asset allocation in the financial statements according to each Manager's mandate, whilst for this section the most appropriate means is to analyse the mandate according to the underlying elements.

The corresponding details as at 31 March 2024 are set out in the table below:

Asset type	Asset value £'m	Asset weight	Volatility	Potential change +/- in £'m	Value on increase £'m	Value on decrease £'m
Equities - Developed Markets	1,872.2	54.8%	20.5%	383.8	2,256.0	1,488.4
Equities – Emerging Markets	89.5	2.6%	28.0%	25.1	114.6	64.4
Private Equity	21.0	0.6%	26.0%	5.5	26.5	15.5
Private Debt	79.2	2.3%	10.5%	8.3	87.5	70.9
Property – Balanced	185.4	5.4%	13.0%	24.1	209.5	161.3
Infrastructure	518.5	15.1%	12.0%	62.2	580.7	456.3
Corporate Bonds	69.1	2.0%	7.6%	5.3	74.4	63.8
Fixed Interest Gilts	46.2	1.3%	11.4%	5.3	51.5	40.9
Index-Linked Gilts	364.8	10.7%	11.7%	42.9	407.7	321.9
Overseas bonds	82.6	2.4%	10.3%	8.5	91.1	74.1
Cash	96.3	2.8%	1.6%	1.5	97.8	94.8
Uncorrelated	**3,424.8**	**100.0%**	**16.7%**	**572.5**	**3,997.3**	**2,852.3**
Including asset correlations	**3,424.8**		**13.1%**	**447.2**	**3,872.0**	**2,977.6**
Including asset & liability correlations	**3,424.8**		**14.9%**	**511.2**	**3,936.0**	**n/a**

19. Funding arrangements

In line with Regulation 60 of the Local Government Pension Scheme (Scotland) Regulations 2018, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2023 and the next valuation is due to take place as at 31 March 2026.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise long-term scheme costs by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contributions rates where the Fund considers it reasonable to do so and
- to use reasonable measures to reduce the risk to other employers and ultimately to the taxpayer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading increases, or indeed decreases, in rates over a period of time. Normally this is three years. Solvency is achieved when the funds held plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable.

At the 2023 actuarial valuation, the Fund was assessed as 137% funded (94% at the March 2020 valuation). This corresponded to assets exceeding liabilities by £865m (there was a deficit of £152m at the 31 March 2020 valuation). New employer contribution rates have been set for both scheduled and admitted bodies for the period 1 April 2024 to 31 March 2027 by virtue of the Fund Valuation as at 31 March 2023 and it is anticipated these rates will not change over the three-year period ending 31 March 2027.

Employer contributions are made up of two elements:

a) the estimated cost of future benefits being built up each year, after deducting members' own contributions and including an allowance for the Fund's administration expenses. This is referred to as the "Primary rate", and is expressed as a percentage of members' pensionable pay; plus
b) an adjustment for the difference between the Primary rate above, and the total contribution the employer needs to pay, referred to as the "Secondary rate". In broad terms, the Secondary rate is in respect of benefits already accrued at the valuation date. The Secondary rate may be expressed as a percentage of pay and/or a monetary amount in each year.

The Primary rate and Secondary rate for every contributing employer in the Fund is set out in the Rates and Adjustments Certificate in the actuarial valuation report.

The Primary Rate noted in the table on the next page is the payroll weighted average of the underlying individual employer primary rates and the Secondary Rate is the total of the underlying individual employer secondary rates, calculated in accordance with the Regulations and CIPFA guidance. Full details of the contribution rates payable can be found in the 2023 actuarial valuation on the Fund's website.

		Last valuation 31 March 2020		This valuation 31 March 2023
Primary rate (% of pay)		21.9		**21.0**
Secondary rate £	2021/22	1,529,000	**2024/25**	**(7,347,000)**
	2022/23	1,293,000	**2025/26**	**(7,553,000)**
	2023/24	2,957,000	**2026/27**	**(7,766,000)**

The valuation of the fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were as follows:

Financial Assumptions	**Valuation 31 March 2020**	**Valuation 31 March 2023**
Benefits increases and CARE revaluation (CPI)	1.7%	**2.3%**
Salary increases	2.3%	**2.8%**
Investment return	3.2%	**5.1%**

Longevity Assumptions	**Valuation 31 March 2020**	**Valuation 31 March 2023**
Baseline longevity	Club Vita	**Club Vita**
Future improvements	CMI 2019 Smoothed; 1.5% p.a. long-term	**CMI 2022 Smoothed; 1.5% p.a. long-term**

The fund is a member of Club Vita and the baseline longevity assumptions are a bespoke set of Vita Curves that are tailored to fit the membership profile of the Fund.

Assumed Life Expectancy		**Valuation 31 March 2020**	**Valuation 31 March 2023**
Male	Pensioners	20.6 years	**20.4 years**
	Non-Pensioners	22.0 years	**21.3 years**
Female	Pensioners	23.2 years	**23.1 years**
	Non-Pensioners	25.2 years	**24.8 years**

Commutation Assumption

An allowance is made for future retirees to take 75% of the maximum additional tax-free cash up to HMRC limits to reflect the Fund's actual experience.

50:50 Option
It is assumed that 0.5% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option based on the Fund's own experience.

McCloud Remedy
The Court of Appeal in the "McCloud" case ruled that certain protections introduced by public service pension schemes in 2015 were age discriminatory. In July 2019, the UK Government accepted that the ruling had implications for the LGPS and advised that the discrimination would be addressed without members having to lodge separate legal claims. A consultation undertaken by SPPA (Scottish Public Pensions Agency) closed on 23 October 2020 and amendment regulations came into force on 1 October 2023. The chosen method of redress sees a retrospective extension of the protections granted in 2015 to a broader range of members. In the 2023 valuation, the actuary took account of McCloud by valuing the liabilities in accordance with instructions from SPPA.

More Information
The actuary has provided a statement describing the funding arrangements of the Fund during 2024/25. This can be found in Appendix 1 of this report.

Copies of the 2023 Valuation Report as well as the Funding Strategy Statement can be found on www.falkirkpensionfund.org (see link in Appendix 3)

20. Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the pension fund liabilities, on an IAS19 (International Accounting Standard) basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contributions rates and the Fund Accounts do not take account of obligations to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 19). The actuary has also valued ill health and death benefits in line with IAS19.

	2023/24	**2024/25**
Present value of promised retirement benefits £m	(2,851)	**(2,530)**
Fair value of scheme assets (bid value) £m	3,445	**3,556**
Net (liability)/ asset £m	594	**1,026**

The net asset is estimated to have increased from £594m to £1,026m at 31 March 2025, as a result of the increasing fair value of scheme assets and estimated liabilities falling. This reflects the higher discount rate adopted by the actuary for 2024/25 IAS26 assessments.

As noted on the previous page, the liabilities are calculated on an IAS19 basis and will therefore differ from the results of the 2023 triennial funding valuation (see Note 19) because IAS19 stipulates a discount rate rather than a rate which reflects market rates. Key assumptions used are as follow:

IAS 19 Assumptions	2023/24	**2024/25**
Discount rate	4.85%	**5.80%**
Salary increase rate	3.25%	**3.25%**
Pension increase rate	2.75%	**2.75%**

21. Current Assets

	2023/24	**2024/25**
Short term debtors	£'000	**£'000**
Contributions due – employees	1,949	**2,040**
Contributions due – employers	7,211	**6,369**
Strain contribution (due within 1 year)	885	**1162**
Sundry debtors	28	**20**
Prepayments	381	**412**
Falkirk Council	46	**-**
Total	10,500	**10,003**
Cash balances	13,047	**11,739**
Current assets	23,547	**21,742**

21a. Long-term debtors

	2023/24	**2024/25**
	£'000	**£'000**
Strain on fund contributions due in over 1 year	70	**17**

22. Current Liabilities

	2023/24	**2024/25**
	£'000	**£'000**
Benefits payable	(1,850)	**(2,379)**
Transfer values payable (leavers)	(130)	**(95)**
Sundry creditors	(1,612)	**(1,426)**
Falkirk Council	-	**(127)**
Total	(3,592)	**(4,027)**

23. Additional Voluntary Contributions

	2023/24	2024/25
	£'000	**£'000**
Standard Life	3,345	**3,935**
Prudential	9,339	**11,022**
Total	12,684	**14,957**

AVC contributions of £1,112k were paid directly to Standard Life (£596k in 2023/24) and £3,489k to Prudential (£2,587k in 2023/24).

24. Related Party Transactions

Falkirk Council
Falkirk Council Pension Fund is administered by Falkirk Council. Consequently, there is a strong relationship between the Fund and the Council. The Council is the single largest employer of members of the Fund and contributed £31.3m to the Fund in 2024/25 (2023/24: £34.2m).

The Fund uses Council premises and systems, and these costs are charged to the Fund. In 2024/25 the Fund incurred a charge of £120k in respect of these costs (£120k in 2023/24). Transactions between the Council and the Fund are closely monitored with the aim of any balances being settled as soon as reasonably practicable. At 31 March 2025 the Pension Fund owed the Council £127k (in 2023/24 the Council owed the Pension Fund £46k) in respect of invoices processed in 24-25 but settled in 2025-26.

Governance
One member of the Pensions Committee - J Flynn is in receipt of LGPS benefits from the Fund. In addition, all remaining Committee members are active members of the Fund.

All members of the Pension Board are active members.

Each member of the Committee and Board is required to declare their interest at each meeting.

24a. Key Management Personnel

The key management personnel of the Fund are the Section 95 Officer and the Pensions Manager. The Fund's proportion of total remuneration payable to key management personnel is set out on the next page.

	2023/24	**2024/25**
	£'000	**£'000**
Short term-benefits	114	**110**
Post-employment benefits	160	**156**
Total	274	**266**

Short-term benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which employees render related service. They may include wages, salaries, paid annual and sick leave.

Post-employment benefits are employee benefits that are payable after the completion of employment such as pensions.

25. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2025 totalled £53m (31 March 2024 £57m).

These commitments relate to outstanding call payments due to unquoted limited partnership funds held in the private equity, infrastructure, and private debt segments of the portfolio. The amounts "called" by these funds are irregular in both size and timing over the life of the investment.

At 31 March 2025 the Fund has no exposure to a contingent liability (no liability as of 31 March 2024) related to potential abort costs in respect of Infrastructure projects with the Lothian Pension Fund. Contingent liabilities are not recognised in the net assets statement.

Annual Governance Statement 2024/25

Fund Governance Framework
Falkirk Council operates the Falkirk Council Pension Fund ("the Fund") under the terms of the Local Government Pension Scheme (LGPS). The main functions are to manage the Fund and its investments and to administer the scheme on behalf of members and employers.

The Fund is not a separate legal entity from Falkirk Council, but it does have its own governance arrangements which sit within the Council's overarching governance framework and are consistent with the principles of the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government".

As the administering authority for the Fund, the Council is ultimately responsible for ensuring that Fund business is conducted lawfully and that the public monies flowing into and out of the Fund are safeguarded and properly accounted for.

Falkirk Council has delegated Fund business to its Pensions Committee as part of the Scheme of Delegation contained in Council Standing Orders effective 30 March 2022. Other delegations have been made to the Chief Finance Officer as set out in the Statement of Investment Principles.

The work of the Fund is governed by the Local Government Pension Scheme (Scotland) Regulations. These require various policy documents to be prepared including a Funding Strategy Statement; a Statement of Investment Principles; and a Governance Compliance Statement. The Fund has also adopted a Statement of Responsible Investment Principles. Collectively, these documents set out the Fund's key aims and objectives and approach to conducting business. Additionally, a Risk Register and Business Continuity Plan are maintained as part of the Fund's risk management framework.

Scope of Responsibility
The Pensions Committee, with the support of the Pension Board, is responsible for Fund business including regulatory compliance and oversight of management responses to audit recommendations.

The Committee and Board have broad representation from Fund stakeholder groups and are compliant with guidance provided by Scottish Ministers. Further details are included in the Fund Governance Section of the Report and Governance Compliance Statement.

The Chief Finance Officer is responsible for arranging the proper administration of the financial affairs of the Fund, including the systems of internal control and the internal audit of the Fund's control environment so as to provide reasonable assurance on substantive matters such as funding, contributions, pension payments, investment management and data security.

Funding
Funding is assessed through a three yearly valuation undertaken by an independent actuary; inter-valuation updates are provided to the Pensions Committee and Board.

Contributions and Pension Payments
Contributions paid by employers are monitored for timeliness and accuracy of payments with breaches brought to the attention of the Pensions Manager to determine whether the matter should be reported to the Pensions Regulator.

Pension payments and other financial transactions require authorisation from at least two persons including a senior officer. The Fund participates in the National Fraud Initiative (undertaken every 2 years) to identify payments being made to deceased pensioners and actively investigates cases of irregularity. These results are reported to the Pensions Committee.

The Fund also operates a Pension Administration System maintained by an experienced specialist software vendor and can take assurance from the fact that the system is used by many LGPS Funds, including all in Scotland. Changes are subject to scrutiny by a test working party of users. To aid regulatory compliance, the Fund subscribes to a specialist technical resource maintained by the Local Government Association and attends regular meetings of Scottish LGPS Funds to discuss shared issues.

Investment Management
Fund manager records are reconciled to independently maintained accounting and performance evaluation records and variances investigated. Limits are set around the amounts that can be allocated to an asset class, a single manager or single holding and are checked monthly. Further oversight is provided by the Joint Investment Forum (JIF) – a collaborative arrangement between Falkirk, Fife and Lothian Pension Funds – which comprises independent advisers and Lothian Pension Fund professional investment specialists who are accredited by the Financial Conduct Authority (FCA).

Data Security
The Council's Information Governance framework exists to enable data to be securely managed. Staff undergo regular training on data security matters. Members are notified of the Fund's Privacy Notice at least once a year and Data Sharing Agreements are in place with employers and key service providers. Any new data provision, such as onboarding to the Pensions Dashboard, is subject to a Data Impact Assessment signed off by the Council Information Governance Manager and Technology and Infrastructure Manager.

Control Environment
The Council is committed to the highest standards of openness, probity, and accountability. In line with that commitment, the Council, through its Whistleblowing Policy, encourages employees and others who have serious concerns about any aspect of the Council's work to come forward without fear of victimisation, discrimination, or disadvantage.

The Fund has a Conflict of Interest Policy which supplements the Council's own Code of Conduct for Members and Officers. In addition, all Members are required to adhere to The Standards Commission Scotland - Councillors' Code of Conduct.

Contract Standing Orders and Financial Regulations exist and operate to regulate financial and transactional activity.

The Fund maintains a Business Continuity Plan which was reviewed, updated and approved at the 26 November 2024 Pensions Committee. The Fund also maintains a risk register which was reviewed, updated and approved at the 14 March 2024 Pensions Committee. Committee has also approved a Fund Assurance Map (as endorsed by the Chartered Institute of Internal Auditors) to categorise, as follows, the various levels of risk controls:

Level 1 – First line of Defence
Operational controls put in place by management, (e.g. holding a diversified mix of assets, reconciling custodian and manager holdings, monitoring contributions and cash flow, aggregate pension payments within tolerance level).

Level 2 – Second line of Defence
Internal governance arrangements including policies, performance metrics and control reports. (e.g. Funding Strategy Statement, Statement of Investment Principles, Committee reports, Asset Manager reports, Whistleblowing).

Level 3 – Third line of Defence
These are controls designed to provide independent verification of the adequacy of the first and second lines of defence. This includes the work of Internal Audit, the Fund Actuary, Government Actuary's Department and the Joint Investment Forum.

The scale of Fund investments (c. £3.6bn) underlines the importance of a robust control environment being in place for investment managers. The main sources of assurance come from regular engagement with the managers and through annual assurance control reports from each of the managers' auditors. A similar report is also provided by the Custodian. Reference to the reports for 2024/25 are set out in the Risk Section of the Annual Report.

In overseeing the Fund's control arrangements, the Chief Finance Officer has worked in conformance with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

Monitoring and Review of Governance Arrangements
The Fund's governance arrangements are formally monitored via:

- the Pensions Committee and Board framework
- the Fund's Risk Management arrangements
- the Corporate Risk Management Group and other Corporate Working Groups
- the recording and monitoring of audit recommendations via the Council's system
- Internal Audit work as agreed annually with the Pensions Committee
- JIF annual review of its own effectiveness

Monitoring is undertaken within the context of the Fund's obligations to operate within a strict statutory framework and to deliver value for money,

System of Internal Financial Control
The Chief Finance Officer is responsible for ensuring the operation and maintenance of an effective system of internal financial control.

The Council's Internal Audit Team provides assurance on arrangements for risk management, governance, and control, and undertakes an annual programme of work informed by the content of the Fund's risk register and the Assurance Map. The programme is approved by the Pensions Committee with Board oversight.

The Fund uses a number of corporate systems, including the Council's Financial Information System and online HR system. Assurance can, therefore, be taken from the broad seam of Internal Audit work undertaken on these systems annually.

The Internal Audit Manager has established a Quality Assurance and Improvement Programme for the Internal Audit Team, including annual self-assessment and periodic (5 yearly) external assessment of compliance with the Public Sector Internal Audit Standards. A detailed self-assessment against the Standards was undertaken during March 2023. This confirmed continuing compliance with the Standards, and is subject to a five yearly independent, external validation as part of a national review process established by the Scottish Local Authorities Chief Internal Auditors' Group. The external assessment is currently being undertaken by the Chief Internal Auditor at Fife Council.

All Internal Audit reports are issued to the relevant officers and include recommendations and agreed action plans. It is then management's responsibility to ensure that appropriate action is taken to address these recommendations. Internal Audit reports are always brought to the attention of the Pensions Committee and Pension Board, and any matters of significance highlighted and commented upon by management. During 2024/25, there were no matters of significance which required to be brought to the attention of the Committee and Board.

Audit Findings and Recommendations
During 2024/25, Internal Audit undertook transactional testing and review of the Pension Fund's governance arrangements.

Internal Audit were able to provide Substantial Assurance in relation to the adequacy and effectiveness of the areas audited. Four recommendations were made which are summarised in the table below:

	Item	Responsible Person	Committee Approval Required	Completion Status
1	An error identified from the testing of a sample of member contributions should be considered by the Pensions Section and the necessary corrective action taken.	Pensions Manager	No	Complete
2	The Chief Finance Officer should remind all Pensions Committee and Pension Board members of the need to complete the annual knowledge and skills assessment questionnaire.	Pensions Manager (to investigate use of 3rd party provider)	Yes	Due 30/09/2025
3	The Falkirk Council Pension Fund website should be cleansed of all out-of-date policies. Thereafter, the Pensions Manager should establish a list of the policies which are appropriate for general publication and ensure that the current version of these policies is uploaded to the website in a timely manner.	Pensions Manager	No	Due 30/09/2025
4	The Pensions Manager should review and update all electronic links within the Falkirk Council	Pensions Manager	No	Due 31/08/2025

	Pension Fund's Governance Policy.			

The findings have been reported to the Chief Finance Officer and the Director of Transformation, Communities & Corporate Services and was reported to the Pensions Committee and Pension Board in June 2025.

Service Delivery
Following the pandemic, contingency measures, such as working from home and the office, were activated to protect the wellbeing of staff and to facilitate continuity of service. This style of hybrid working is now the norm and working practices and protocols for the authorisation of payments and documents are well embedded and effective with the Fund continuing business as usual in a more flexible and resilient way. Fund members also enjoy increased flexibility in accessing details of their pension entitlements and pension payslips through an online data portal called My Pension Online which enables members to update their basic details, view their pension payslips as well as access retirement modellers to help them plan their retirement.

Asset Valuations and Funding
The Fund continues to weather the storms that have caused market values to be volatile. In the face of this turbulence, the Fund's approach to diversifying its assets has seen the asset value as at 31 March 2025 increase to £3.6bn from £3.4bn at 31 March 2024.

The Fund remains in a healthy position and would have been cash flow positive but for the transfer of the asset share of one employer who left the Fund to join Strathclyde Pension Fund. Despite being cashflow negative, the Fund is under no pressure to sell assets and was able to manage its cashflow to meet the payment of the asset share which amounted to £16.2m. The Fund's assets are well diversified and include Property, Bonds and Infrastructure all of which are income generative. The funding update at 31 March 2025 showed a funding level of 162% which is a testament to the resilience of the Fund.

The 2023 Valuation exercise afforded the opportunity for each employer's position in the Fund to be closely and independently examined and appropriate contribution rates applied. This will be reassessed during the 2026 Valuation exercise.

Oversight
During 2024/25 Committee and Board meetings were held so that members could attend meetings in person or online. Induction training for Committee and Board members has also been delivered in person or online. For 2025/26, it is intended that all Committee and Board meetings continue accommodating this type of blended attendance and training will also be delivered as a mixture of online and in person events, thereby increasing accessibility.

Certification

This Annual Governance Statement summarises, openly and transparently, arrangements made by Falkirk Council Pension Fund for 2024/25 and for the period to the date of publication of these Accounts.

The statement makes reference to the overall governance framework of the Fund; the areas where responsibilities lie; and the wider control environment. This is complemented by the work of Internal Audit during the year.

Where areas for improvement have been identified, an action plan has been agreed and will be prioritised by management and reviewed in due course by the Pensions Committee and Pension Board. The Fund will continue to monitor and evolve its governance arrangements as necessary.

It is our view that the contents of the statement demonstrate the adequacy and effectiveness of the governance arrangements in place during 2024/25 for the Pension Fund.

Councillor Lorna Binnie
Chair of the Pensions Committee

Kenneth Lawrie
Chief Executive Falkirk Council

Governance Compliance Statement

Regulation 53 of the Local Government Pension Scheme (Scotland) Regulations 2018 (SSI 2018/141) requires administering authorities to prepare and publish a written statement setting out the terms of their current governance arrangements. The undernoted Statement tests the Fund's compliance with the best practice principles as set out in the SPPA Best Practice Guidelines of April 2011.

Principle A – Structure

Requirement	Level of Compliance	Arrangements in Place
The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council.	**Full Compliance**	Falkirk Council, as administering authority of the Fund, has established a Pensions Committee to which it has delegated the administration of benefits and strategic management of fund assets. The implementation of investment strategy has been delegated to the Chief Finance Officer subject to proper advice being provided by a Joint Investment Forum comprising specialist officers and independent advisers.
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.	**Full Compliance**	The Pensions Committee includes three co-opted members reflecting the Fund's composition of members, pensioners and employers.
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	**Full Compliance**	The main channel of communication between the Pensions Committee and Board lies in the fact that quarterly Committee meetings are joint meetings with the Board, with a shared agenda and with both parties having full access to papers.

That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	**Not Compliant** (as cannot be complied with)	The statutory role of the Pension Board with oversight of Committee activity means it is not appropriate for a Board member to also sit on the Committee.

Principle B – Representation

Requirement	Level of Compliance	Arrangements in Place
That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: - Employing authorities (including e.g. admission bodies); - Scheme members (including deferred and pensioner scheme members)	Full Compliance	Representatives of fund employers, including an admission body, sit on the Pension Board. An employer representative also sits on the Pensions Committee. Active, deferred and pensioner members are represented by Trade Union members who sit on the Pension Board. A Trade Union member also sits on the Pensions Committee. Pensioners are represented by a pensioner member who sits on the Committee.
Where appropriate, independent professional observers; and	Not Compliant	There are no independent professional observers of Committee or Board business. It is considered that: • the diversity of representation (employers, pensioner and members) • the Joint Investment Forum • the training arrangements; • the annual audit process; and • attendance of professional advisers provide robust and adequate scrutiny of pension fund business.
Expert advisors (on an ad-hoc basis).	Full compliance	Support for the Pensions Committee and Pension Board

		is provided by specialists in the following areas: • actuarial and investment advisers • corporate governance advisers • investment managers and custodian
That where lay members sit on a main or secondary committee, they are 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.	Full compliance	The co-opted members on the Pensions Committee and the Pension Board all have equality of access to papers, meetings and training. The co-opted members also have full opportunity to contribute to the decision making process, including the right to vote.

Principle C – Selection and role of lay members

Requirement	**Level of Compliance**	**Arrangements in Place**
That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	**Full Compliance**	Members of the Pensions Committee will be subject to the agreed Code of Conduct. Members of the Pension Board will be appointed on the understanding that they will be subject to the agreed Code of Conduct. Appropriate training will be delivered to Committee and Board 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.	**Full Compliance**	Declaration of interests is a standard procedure at the start of all Committee and Board meetings. Declarations are noted in the minutes.

Principle D – Voting

Requirement	**Level of Compliance**	**Arrangements in Place**
The policy of individual administering authorities on		All members of the Pensions Committee including co-opted

voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	**Full Compliance**	members will have voting rights on the basis that they have executive responsibility for pension fund decision making.

Principle E – Training / Facility Time / Expenses

Requirement	**Level of Compliance**	**Arrangements in Place**
That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	**Full Compliance**	The administering authority's approach to training is set out in its training policy for the Pensions Committee and Pension Board members. Training is delivered in large part by addressing specific items at Committee and Board meetings and complemented by bespoke training events and attendance at industry seminars and conferences. Expenses incurred by Committee and Board members are met either by the Fund or the Falkirk Council scheme for payment of members' expenses.
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.	**Full Compliance**	The Training Policy for the Pensions Committee and Pension Board applies uniformly to all members.
That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	**Full Compliance**	The Training Policy for the Pensions Committee and Pensions Board includes the requirement for members to undergo training needs analysis and the development of commensurate training plans. A register of training undertaken is maintained.

Principle F – Meetings (Frequency/Quorum)

Requirement	Level of Compliance	Arrangements in Place
That an administering authority's main committee or committees meet at least quarterly.	**Full Compliance**	The Pensions Committee hold quarterly meetings. Additional meetings are called as required.
That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	**Full Compliance**	Pension Board meetings are held concurrently with Pensions Committee meetings which will result in a minimum of four meetings per year. Additional meetings are called as required.
That an administering authority who does not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	**Full Compliance**	The Council does include lay members on its Pensions Committee.

Principle G – Access

Requirement	Level of Compliance	Arrangements in Place
That subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	**Full Compliance**	Members of Pensions Committee and Pension Board have equal access to any committee papers, documents and advice that falls to be considered at meetings of the Pensions Committee.

Principle H – Scope

Requirement	Level of Compliance	Arrangements in Place
That administering authorities have taken steps to bring wider scheme issues within the scope		The agendas for Pensions Committee / Board meetings include reports pertaining to

of their governance arrangements.	**Full Compliance**	both administration and investment matters such as regulatory changes, actuarial valuation and funding level updates, admission agreements, investment strategy and Fund / Investment Manager performance.

Principle I – Publicity

Requirement	Level of Compliance	Arrangements in Place
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.	**Full Compliance**	Through their representation on the Committee and Board, employers, members and pensioners have been involved in the development of the Fund's governance arrangements. Full details of the Governance arrangements are published on the Fund's website.

Chief Finance Officer
Falkirk Council,
Approved – 18 March 2025

Appendix 1

Actuarial Statement for 2024/25

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

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

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

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 return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. 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% chance that the Fund will return to full funding 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 2014 was as at 31 March 2023. This valuation revealed that the Fund's assets, which at 31 March 2023 were valued at £3,195 million, were sufficient to meet 137% 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 £865 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability 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 and inflation to retirement or expected earlier date of leaving pensionable membership.

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

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

Financial Assumptions	31 March 2023
Discount rate	5.1%
Salary increase assumption	2.8%
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:

	Males	Females
Current Pensioners	20.4 years	23.1 years
Future Pensioners*	21.3 years	24.8 years
*Currently aged 45		

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

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

Continued high levels of inflation in the UK also resulted in a higher than expected LGPS benefit increase of 6.7% in April 2024. However, inflation has reduced towards historical levels and the Bank of England's target (2% pa), with LGPS benefits increasing by 1.7% in April 2025.

Overall, the funding level of the Fund is likely to be slightly higher than reported at the previous formal valuation at 31 March 2023

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

Adrian Loghlin FFA C.Act

For and on behalf of Hymans Robertson LLP

14 May 2025

Appendix 2

Scheduled and Admission Bodies as at 31 March 2025

Scheduled bodies open to new members

Central Scotland Joint Valuation Board
Clackmannanshire Council
Falkirk Council
Forth Valley College
Scottish Children's Reporter Administration (SCRA)
Scottish Environment Protection Agency (SEPA)
Police Scotland
Stirling Council

Admission bodies

Open to new members	Closed to new members	Closed to new members with deferred or pensioner members only*
Active Stirling	Amey (Clackmannanshire Schools Project)	Alsorts
Colleges Scotland	Cromwell European Management Ltd	Ballikinrain School
Cowane's Hospital	Haven Products Ltd	Central Carers Association
Dollar Academy Trust		Central Scotland Council for Regional Equality
Forth and Oban Ltd (Falkirk Schools)		Ceteris
Forth and Oban Ltd (Stirling Schools)		Falkirk Community Trust Ltd
Smith Art Gallery		McLaren Community Leisure Centre
Strathcarron Hospice		Open Secret
Water Industry Commission for Scotland		Plus
		thinkWhere Ltd
		Scottish Autism
		Seamab School
		Snowdon School Ltd
		Sodexo
		Stirling District Tourism Ltd
		Stirling University
		Stirling Enterprise (STEP)
		Waterwatch Scotland

*No Fund liability remains with the employers in this group. With the exception of Falkirk Community Trust Ltd, either a cessation payment has been made, an exit credit returned or the three Councils in the Fund - Clackmannanshire, Falkirk, and Stirling

Councils - have assumed responsibility for the Fund liabilities of these employers in return for being allocated their share of the Fund’s assets. The liabilities for Falkirk Community Trust lie solely with Falkirk Council.

Appendix 3

Links to Key Documents

Valuation report
https://www.falkirkpensionfund.org/resources/valuation-report-2023/

Funding Strategy Statement
https://www.falkirkpensionfund.org/resources/funding-strategy-statement-1/

Statement of Responsible Investment Principles
https://www.falkirkpensionfund.org/resources/statement-of-responsible-investment-principles-1/

Statement of Investment Principles
https://www.falkirkpensionfund.org/resources/statement-of-investment-principles-1/

Risk Management Policy
https://www.falkirkpensionfund.org/media/sf2ijtsm/risk-managerment-policy.pdf

Governance Policy
https://www.falkirkpensionfund.org/resources/governance-policy-and-compliance-statement/

Conflict of Interest
https://www.falkirkpensionfund.org/resources/conflict-of-interest-policy/