

FALKIRK COUNCIL PENSION FUND

Audited Annual Report & Accounts 2025-26

FALKIRK COUNCIL



FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Table of Contents	
Introduction to the Annual Report and Accounts	
Foreword from the Chair of the Pensions Committee	<u>2</u>
Statement from the Chair of the Pension Board	<u>5</u>
Contact Us	<u>8</u>
Annual Report and Accounts	<u>11</u>
About the Fund	
Management Commentary	<u>14</u>
Fund Governance	<u>25</u>
Funding Strategy Update	<u>32</u>
Actuarial Update	<u>34</u>
Financial Performance	<u>38</u>
Scheme Administration	<u>44</u>
Investment Market Review	<u>56</u>
Investment Policy	<u>58</u>
Investment Performance	<u>69</u>
Responsible Investment	<u>79</u>
Risk Management	<u>94</u>
Financial Statements	
Statements of Responsibilities	<u>104</u>
Independent Auditor's Report	<u>106</u>
Pension Fund Account	<u>112</u>
Pension Fund Net Asset Statement	<u>113</u>
Notes to the Accounts	<u>114</u>
Governance	
Annual Governance Statement 2025/26	<u>156</u>
Governance Compliance Statement	<u>164</u>
Appendices	
Appendix 1 – Actuarial Statement for 2025/26	<u>172</u>
Appendix 2 – Scheduled and Admission Bodies as at 31 March 2026	<u>175</u>
Appendix 3 – Links to Key Documents	<u>177</u>
Appendix 4- Glossary	<u>178</u>

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26



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 2025/26 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 enter my fifth year as the Chair of the Pensions Committee of the Falkirk Council Pension Fund, I did not expect to still be reporting continued turbulence in financial markets resulting from the ongoing conflicts in Ukraine and Gaza and now also in the Middle East. The cost-of-living crisis is once again to the fore as the military escalation in the Middle East has increased energy prices. President Trump’s tariffs and trade war concerns seem to be behind us for now, however issues such as geopolitics and the rapid deployment of AI technology continue to affect the world’s economies. We must also remember the urgency of the climate and nature crisis and the risks these crises present, which based on scientific evidence, should no longer be ignored.

Through all of the political and financial market challenges I am pleased to report that the Fund continues to perform well, achieving a return of over 11% in the year and for the first time briefly reaching a valuation of over £4 billion. Equities, which make up more than 50% of the Fund’s investments, performed particularly well, returning over 17% on the back of strong corporate earnings. As a body that strives to generate investment returns to help pay for member benefits, the geopolitical tensions afoot have continued to present a challenging operating environment. Notwithstanding this, the Fund’s investment strategy of holding a well-diversified portfolio of assets including equities, property, infrastructure and bonds has proved sound and has seen the Fund grow to £3.9bn at 31 March 2026 from £3.6bn at 31 March 2025.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

After a long and productive relationship with our Fund actuary, Hymans Robertson, following a regulated procurement, we had to say goodbye and welcome our new actuary, Barnett Waddingham, who took up their appointment on 1 September 2025. I'd like to thank Hymans for their services and support to the Fund over their long tenure.

Interestingly, changing the Fund actuary has resulted in a difference in the Fund's assessed funding level. This has happened because of the different approaches each actuary takes when carrying out their assessment with different methodologies and assumptions, all founded on tested logic, being applied by each actuary.

While different funding levels have been identified, the results from both actuaries show that the Fund is in a healthy position. For readers who are interested in learning more about this quirk in actuarial science I would recommend you read the opening of the Management Commentary of these accounts, but please remember that the funding level is of itself a very volatile metric and the prudent approach adopted by the Fund taking account of risk as well as returns helps it to maintain its goal of having sufficient money to pay the benefits promised to members.

Mindful of our obligations as responsible investors, the Committee agreed to obtain specialist external advice on engagement and divestment. This was to better understand the legal limitations and practical implications of screening out certain companies within the wider context of fiduciary duty. The consultancy firm, Isio, were appointed to undertake this work and an outcomes report will be presented to the Committee at their June meeting.

The Fund already collaborates with Lothian and Fife Pension Funds but during the year it took part in a Scottish LGPS collaboration event which was designed to explore whether current Scottish Fund wide collaboration can be better leveraged to enhance investment opportunities and improve efficiency across areas such as procurement and training. A Vision statement will be considered by the Scottish Funds over the coming months.

The Fund has also been gearing up to embrace onboarding to the Pensions Dashboard and met its statutory obligation to connect with the dashboard on 31 October 2025. 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.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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. In particular, I extend my gratitude and condolences to the family of Sandy Harrower following his death. Sandy was the longest serving member of the Fund's Pension Board, with over a decade of loyal service to the members of the Fund that he represented. His work ethic, personality and support will be sadly missed.

I would also like to thank the Pensions Team for their efforts and to all readers, I hope you find the Annual Report and Accounts for 2025/26 helpful and informative.

Lorna Binnie

Councillor Lorna Binnie

Chair of the Pensions Committee

24 September 2026

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26



Statement from the Chair of the Pension Board

Prior to writing this statement, I reviewed the last statement I made in 2024.

The cost of living crisis is still with us, and, for many, things are becoming more difficult.

The war in Ukraine still rages.

The situation in the middle east has deteriorated further, particularly with the closure of the Strait of Hormuz.

The ongoing situation in Gaza shows no sign of coming to an end.

From a humanitarian perspective, things have deteriorated.

The volatile geo-political situation continues to impact global financial markets. The Fund continues to engage with its advisors, investment managers and engagement partners to ensure that they continue to minimise the financial risk to the Fund, comply with international law, and, from an environmental, social, and governance (ESG) perspective, engage with companies we invest in.

The Fund recently changed their actuary following a regulated procurement exercise. The previous actuary was Hymans Robertson. The new actuary is Barnett Waddingham. The last valuation carried out by Hymans Robertson, applying their assumptions, calculated the fund had assets of £3,195 million and a funding level of 137%.

Barnett Waddingham revisited the same baseline data and, using their assumptions, calculated the fund had assets of £3,185 million on a smoothed basis and a funding level of 112%.

Actuarial assumptions are critical estimates used by actuaries to project future events that impact financial obligations, particularly in areas like pension plans and insurance policies. They fall into two main categories:

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Demographic assumptions: These include mortality rates, retirement timing, and disability rates, which are based on historical data and adjusted for expected improvements.

Economic/financial assumptions: These relate to factors such as interest rates, inflation, investment returns and salary growth, which affect the present value of future cash flows.

Any change to any of the assumptions can have a visible impact on the valuation of assets/liabilities and funding levels. While Barnett Waddingham have significantly changed the funding level using their methodology/assumptions, the Fund is still in a positive, stable condition and continues to perform well.

The Pension Board continues to exercise its principal responsibilities of assisting the Scheme Manager to ensure compliance with legislation and regulation. Board members attend Pension Committee meetings and have full opportunity to provide their comment and opinion. There have been no occasions when the Board has asked the Committee to review any of its decisions. However, on one occasion, there was discussion about the respective roles and segregation of the Committee and Board. I still believe that this shows the Fund's governance and administration is working effectively and this is underpinned by both Board and Committee members undertaking regular training.

As usual, the Pensions Team have been incredibly busy. Not only ensuring business as usual, but ensuring legal and regulatory compliance in the ever-changing, dynamic environment of pensions. This is not an exhaustive list, but some of the external pressures that the Team have to ensure the Fund complies with are: The Cost Cap Mechanism; The McCloud Remedy; The Pensions Dashboard; The new on-line self-service portal; The Pensions Regulator General Code of Practice; The Pensions Regulator Cybersecurity Guidance; The National Fraud initiative; and The Local Government Pension Scheme (Scotland) (Amendment) Regulations 2024. Many thanks to the Team for their efforts.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Finally, as Chair of the Board, I would like to thank my fellow Board members, the Committee, the whole Pensions Team and Council Officers for their commitment and outstanding efforts which ensure the compliance and smooth running of the Fund.

A handwritten signature in black ink, appearing to read 'Tony Caleary', followed by a period.

Tony Caleary
Chair of the Pension Board

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Contact us

Enquiries

Falkirk Council Pension Fund
The Foundry
4 Central Boulevard, Central Park
Larbert, FK5 4RU

Tel:

01324 506329

E-mail:

pensions@falkirk.gov.uk

Website:

www.falkirkpensionfund.org

Management of the Fund

Scheme administrator	Falkirk Council
Fund Officers	Amanda Templeman, Chief Finance Officer Catherine Carruthers, Pensions Manager Debbie Macrae, Accountancy Services Manager – Pensions
Actuaries	Barnett Waddingham 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	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 & General

Lothian Pension Fund Investments Ltd (LPFI)

Patria Capital Partners LLP

Pictet Asset Management

Schroders Investment Management

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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
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
Vauban
Sovereigns and Credit
Benefit Street Partners
Apogem Capital
Baillie Gifford
Barings
Blackrock
CVC Credit Partners
Legal & General

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Lothian Pension Fund Investments Ltd (LPFI)

Royal London Asset Management

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Annual Report and Accounts

This is the Annual Report and Accounts for the Falkirk Council Pension Fund for 2025/26.

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	2022/23*	2023/24	2024/25	2025/26
Funding Level	137%	146%	162%	132%
Admin cost per member in £	32.67	32.03	32.95	36.30
Investment return %	0.8	8.41	3.93	11.08
Performance v benchmark %	+12.8	-2.63	2.95	-0.90
External audit outcome	Unqualified	Unqualified	Unqualified	Awaiting

*31 March 2023 was a valuation year where a full Fund valuation was conducted. The next valuation will be carried out as at 31 March 2026 with the results available during 2026/27. 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. Details regarding the change in actuary and the effect that their different approach has had on the funding level are documented in the Management Commentary section below.

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.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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 175.

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.



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.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

- 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 .

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Management Commentary

Summary

After an almost 30 year successful relationship with Hymans Robertson, this year saw the Fund, after a regulated procurement, appoint a different actuary to deliver actuarial services from 1 September 2025. The work to onboard the new actuary, Barnett Waddingham, was successfully completed and included a re-run of the 2023 valuation. This exercise was needed because the two actuaries use different actuarial models and assumptions which lead to different outcomes.

For example, Barnett Waddingham and Hymans have different approaches to the discount rate they use with Hymans setting the discount rate by reference to expected returns on gilts whereas Barnett Waddingham use a prudent estimate of investment returns that reflects the Fund's actual asset allocation with an allowance for expenses and risk. The starting point for the valuations was also different with one actuary using a point in time value of the Fund's assets at 31 March 2023 and the other using a value that's calculated as a six-month smoothed market value straddling the valuation date. Neither methodology is wrong, they are just different and can produce different outcomes. Similarly, both actuaries used slightly different assumptions, though under both actuarial methods the estimated funding level would increase from the Fund's 2023 funding level to the Fund's 2026 funding level as detailed below.

The funding level at the last formal valuation of the Fund on 31 March 2023, which was carried out by Hymans Robertson, was 137%. By 31 March 2026, had the previous actuarial methodology continued to be applied, the expectation was that the funding level would have been in the region of 165%. The re-run of the 2023 valuation by Barnett Waddingham saw a lower funding value of 112% being identified at 31 March 2023 and on the Barnett Waddingham basis the estimated funding level at 31 March 2026 is 132%.

While the funding level identified by the two actuaries seems very different, it is important to note that funding levels are simply a point in time indicator of the Fund's health. The methodology and assumptions used by both actuaries show the Fund had a strong funding position and continues to do so.

The continuing health of the Fund is in stark counterpoint to the global markets which have continued to be unsettled. Despite this the Fund delivered an investment return

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

of 11.08% (2024/25 3.93%), which was 0.90% lower than the benchmark return of 11.98%. The very slightly under benchmark return reflects the Fund's allocation to generally less risky equities. As a result of the healthy investment return, the Fund remains in strong condition.

At 31 March 2026, the Fund had assets of £3.9 billion (£3.6 billion at 31 March 2025). 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. The Statement of Investment Principles and investment strategy will once again be reviewed during the 2026/27 triennial Fund valuation. In line with the investment strategy and permitted ranges of the policy groups some allocation changes were implemented during the year e.g. reduction in an equity mandate reflecting the increase in size of the mandate following very good investment performance.

Throughout the year the Fund has been working with specialist advisers to obtain advice on engagement and divestment. This has been at the request of the Committee to allow them to better understand the legal limitations and practical implications of screening out certain companies within the wider context of fiduciary duty.

The remainder of this commentary looks at the Fund's business model, the key themes feeding into 2025/26, and management's observations on the overall performance and 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 divided into 2 sections Administration and Governance managed by a Pensions Manager and Investments and Accounting managed by the Accountancy

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Services Manager – Pensions who both report to the Chief Finance Officer.

Accountability is to the Pensions Committee, the Pension Board, Fund Employers and Scheme Members.

Overall 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 Team and LPFI Ltd (the regulated investment vehicle of Lothian Pension Fund) Officers via a Shared Services Agreement. More information about the Fund's investment management arrangements is given on page 59.

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 25. Information on Risk Management can be found on page 94.

Governance

All of the joint Pensions Committee and Board meetings were quorate and discussed a full diet of business, covering Fund Investments, Fund risk reviews including the Fund business continuity plans, the rolling Fund Business Plan, the Annual Report and Accounts and annual internal and external audit reports.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Full details of the Fund's Governance arrangements can be found on page 25 and in the Governance Compliance Statement.

Risk

The Fund risks are reviewed twice a year and the latest updated version of the Risk Register was approved by the Pensions Committee at its meeting on 31 March 2026. It documented the highest risks to the Fund as being climate change; succession planning; lack of knowledge from those responsible for governance; funding position affected by legal cases and government policies beyond Fund control; potential disruption due to change of voting and engagement provider; failure to issue all benefits statements by their due date; future potential changes to the delivery structure of the LGPS; inaccurate/incomplete data and cyber security.

At the last review two risks were updated as a result of regulated procurement exercises with one being removed following the completion of an exercise and the other being added as disruption was expected following the appointment of a new provider. However, due to a change in circumstances this risk is no longer relevant and will be removed at the next review.

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 continued turbulence in financial markets and global unrest 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 remains well positioned to withstand these headwinds.

Further details of key risks and mitigations can be found in the Risk Management section on page 94.

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

Accounting and investment control is undertaken in house by the Accounting and Investment Section using information from the various managers and the Fund Custodian – Northern Trust.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Financial control is undertaken by the Pensions Team using the Council internal financial systems and regulations.

Communications are delivered via:

- the [Pension Fund website](#)
- annual benefit statements
- pensioner payslip messaging
- ad hoc scheme benefit change notifications sent by post.

Please see Appendix 3 for the link to Communication Strategy.

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 aimed 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 recognised the operational cash requirements of the Fund especially as the Fund matures. The revised weightings were determined following an asset/liability modelling exercise and were deemed appropriate in view of the Fund's improved financial position. The revised strategy was implemented with effect from April 2024, and 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 continued to be, the same as for 2024/25, to remain underweight in Equities and Credit and overweight in

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Real Assets, Sovereigns and Cash. Having moved from the Baillie Gifford fixed income mandate into cash in 2024/25 while a new Credit Manager was selected this process culminated with the appointment of Royal London as a credit manager. The Royal London mandate was specifically customised for Falkirk, Lothian and Fife Pension Funds with embedded ESG integration. The Fund also trimmed one of the equity mandates into cash and subsequently funded the first tranche of an allocation to short term gilts along with two small “top ups” of index linked gilts.

The Fund fully divested it's US Treasury Inflation-Protected Securities (TIPs) allocation and invested into UK nominal gilts. Small allocations to existing Real Asset managers continued to be made during the year as opportunities arose.

The Fund has also continued to work with Hermes EOS, as Voting and 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 (page 58) and Investment Performance Sections of the Report (page 69).

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 is approached are given in the Responsible Investment section on page 79.

The Statement of Investment Principles and Statement of Responsible Investment Principles (SRIP) sets 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 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 investment advice and legal advice to inform further debate. Following this initial advice Committee requested further advice examining the implications/practicalities of implementing exclusion/divestment policies

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

for certain weapons and fossil fuel classifications. The latest report will be presented to Committee at their June 2026 meeting.

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 estimated 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 updating the records of qualifying members, however as progress is made it has become clear that the suggested additional resource of 800 hours was an underestimate due to the high number of cases needing manual intervention. The work to ensure the statutory underpin is correctly reflected in member records and the benefits paid to members remained ongoing throughout the year with significant manual intervention required which resulted in a decision being by the Pensions Committee 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 calculations of applying the remedy and the late issue of outstanding Government Actuary’s Department (GAD) guidance in May 2025. This combined with the Government’s guidance on how the remedy should be implemented meant significant additional time

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

would have been required for manual calculations to isolate correct records. Therefore the Fund had to step away from the prescribed guidance and prioritise benefit statement production.

Relationship with other Pension Funds

The Fund has had for some time 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 that wouldn't be possible for a smaller fund on their own. 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 to have a shared service agreement with LPFI Limited, the regulated vehicle of Lothian Pension Fund. As it is some time since this agreement was put in place the agreement is currently being reviewed and refreshed. The agreement 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 also has an investment management agreement with LPFI Limited authorising them to manage the following mandates: sovereign debt investment, GLOVE (Global Low Volatility Equities), SMuRV (Stable Multifactor Relative Value) and GHD (Global High Dividend).

Until last year the Fund also had a shared service agreement with LPFE Limited, the employment vehicle of Lothian Pension Fund. Under this agreement, the Fund accessed specialist legal advice from the internal Lothian Pension Fund team on a range of investment and other pensions related matters. LPFE terminated this agreement in March 2026 and the Fund will be looking to replace the specialist legal services during 2026/27.

Building on the investment collaboration with Lothian and Fife, the three funds participated in a number of joint regulated procurements during the year with the aim of reducing the workload involved with regulated procurement for all three funds. At the time of writing the custodian contract is signed (reappointing Northern Trust) and the contracts for voting and engagement and investment consultant (for the asset

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

allocation work that runs alongside the triennial valuation) are in the final stages of drafting. In addition the Fund contracted with an investment adviser and a legal adviser for the specialist investment advice requested by the Committee. In all of these cases the Fund(s) used the National LGPS Procurement Frameworks which allow LGPS funds to efficiently procure high-quality, value for money pensions services.

Review of Scheme Structure

The Scheme Advisory Board (SAB) launched a review into the structure of the LGPS in Scotland during 2018 followed up over the next few years by research and analysis into options for the future. During this time, 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 which sought views on proposals relating to LGPS investments by English and Welsh funds and asset pooling, UK and local investment and governance for these funds. At the time of writing the government response to the consultation has just been published and confirms that the majority of the proposals remain unchanged although some allowance has been made for delaying deadlines and some additional clarity has been given regarding local investment, the role of the independent person and governance expectations.

In the meantime, following a one day event in 2025 the Scottish Government and Scottish LGPS funds met at a two day conference in March 2026 to continue discussions on creating a sustainable future for the Scottish LGPS. As part of the event, a Vision statement was presented, discussed and drawn up.

The Scottish Local Government Pension Scheme Advisory Board held a workshop on 17th April 2026 to consider the impact of the English and Welsh LGPS "Fit for the Future" reforms. The broad conclusion was that there would be support for measures that build on existing good practice in governance and made some recommendations that Pension Boards should consider.

The aim of the Vision statement is to build on the current collaborative working arrangements to bring the strong investment performance and robust stewardship of the Scottish LGPS already in place to enhance investment opportunities, improve

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

efficiency, support Scotland's sustainable economic growth (where this aligns with fiduciary duty), and formalise the present successful collaborative behaviours.

Following the event the latest Vision has been circulated to the Scottish Funds for consideration by their Pension Committees over the coming months.

Scheme Changes

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.

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 23a.

Other Relevant Fund Information

- Fund Governance – Page 25
- Funding Strategy Update – Page 32
- Financial Performance – Page 38
- Scheme Administration – Page 44
- Investment Policy – Page 58
- Responsible Investment – Page 79
- Events after the Balance Sheet Date – Page 124
- Classification of Financial Instruments – Page 139

Outlook for 2026/27

The investment outlook is expected to continue to remain uncertain for the Fund, as has been the case for the last few years. Ongoing conflicts around the world and everchanging geopolitical factors make markets very difficult to navigate for market participants. The conflict in the Middle East brought an unexpected energy shock the effects of which are expected to be felt during 2026/27 through higher energy prices

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

and inflation. As a result the cost of living continues to make headlines around the world and company performance may be affected by higher than expected cost bases. In addition expected interest rate cuts are looking unlikely in the short term.

While this combination of events brings challenges, the long-term nature of the Fund makes it very well positioned to weather these storms. The diversification of the Fund's assets, its income from contributions and prudent approach to investment means the Fund is under no pressure to become a forced seller of assets during this continuation of unpredictable times. In addition, many of its assets are very liquid if required and as the Fund matures and tips towards regular negative cashflow, it can choose the style of the income-oriented strategy it adopts.

Administration challenges will also continue during 2026/27 as the Fund seeks to complete the implementation the McCloud Remedy by 31 August 2026 and prepares for the release of the data availability point when members of the public will be able to make find requests for their pensions data through the Pensions Dashboard.

Despite the challenges still on the horizon, in an uncertain world, the Fund remains in a healthy financial state with a stable and experienced team in place to take forward a meaningful agenda for continuing improvement whilst maintaining the day to day fund management and governance.

Lorna Binnie

**Chair of the Pensions
Committee**

Date: 24 September 2026

Kenneth Lawrie

**Chief Executive of Falkirk
Council**

Date: 24 September 2026

Amanda Templeman

**Chief Finance Officer
of Falkirk Council**

Date: 24 September 2026

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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 annually 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

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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 2025/26, 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 strategy 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 Internal Audit Plan
- to consider the outputs of External Audit
- to approve the Fund's training arrangements

The Committee is supported at its meetings by officers and professional advisers. The External Auditor attends all 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 Davies	Pensioner Representative

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Committee Changes

There were no changes to the membership of the Pensions Committee during 2025/26.

Details of the Committee members who are also members of the Scheme are given in Note 23.

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 an Employer Representative to a Member Representative at the June 2025 joint meeting of the Pensions Committee and Pension Board.

The Board Members at 31 March 2026 were as follows:

Board Members	
Mr Tony Caleary (Chair of Board)	Member Representative (Unison)
Ms Nicola McCarter	Member Representative (GMB)

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Ms Helen Welsh	Member Representative (Unite)
Mr David Wilson	Member Representative (Unison)
Ms Angela Milloy	Employer Representative (SEPA)
Mr Ross Mackenzie	Employer Representative (SCRA)
Ms Linda Devine	Employer Representative (Stirling Council)
Mr Andy Witty	Employer Representative (Colleges Scotland)

Board Changes

Ms Helen Welsh was appointed to the Board on 31 March 2026 following the death of Mr Sandy Harrower the Unite Member Representative.

Details of Board members who are also members of the Scheme are given in Note 23.

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 2025/26, 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 2025/26

Pensions Committee	Appointment Date	24/06/25	25/09/25	18/11/25	31/03/26
L. Binnie	05/05/2022	✓	x	✓	✓
I. Sinclair	05/05/2022	✓	✓	✓	x
J. Flynn	05/05/2022	✓	✓	✓	✓
R. Spears	27/10/2022	✓	✓	✓	✓
B. Quinn	05/05/2022	x	✓	x	x
D. Aitchison	03/08/2021	✓	x	x	✓
A. Hannah	19/08/2024	✓	✓	✓	✓
E. Grant	21/08/2024	✓	✓	✓	✓
R. Davies	19/08/2024	✓	✓	x	✓
Pension Board					
R. MacKenzie	16/06/2023	✓	x	✓	✓
T. Caleary	17/02/2020	✓	✓	✓	✓

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

D. Wilson	17/02/2020	x	✓	✓	✓
S. Harrower	13/11/2025	✓	✓	n/a	n/a
H. Welsh	31/03/2026	n/a	n/a	n/a	x
A. Milloy	16/06/2023	x	✓	✓	✓
L. Devine	14/08/2024	x	✓	x	✓
A. Witty	14/08/2024	✓	✓	✓	✓
N. McCarter	28/02/2025	✓	✓	✓	✓

n/a – member not in post when meeting was held

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
- bitesize training, usually 30 minutes long on a set topic before the formal meeting of the Pensions Committee and Pension Board
- circulation of investment manager reports
- access to the Fund's website, learning portal, Enlighten, and secure SharePoint portal for information sharing

During 2025/26, 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 completed in Enlighten. Enlighten became available to members of the Pensions Committee and Pension Board in October 2025. There are six courses available for completion
3. External training provided by LPFI Ltd and other external bodies on subjects such as asset class and fiduciary duty training plus Investments and Pensions Summits hosted by LGC and other organisations

The Fund organised a total of 7.5 hours of training (2.25 hours in-house and 5.25 external with partner organisations). In addition to this, some members were able to

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

attend other external training with support from the Fund. The number of hours training undertaken by each member of the Committee and Board is set out in the table below, alongside the number of Enlighten courses the member has completed:

Pensions Committee	Enlighten courses	In-house training	External training	Total hours for In-house and External training
L. Binnie	2	1.25	15.25	16.5
I. Sinclair	0	1.5	5.25	6.75
J. Flynn	0	2.25	2	4.25
R. Spears	0	4.5	0	4.5
B.Quinn	0	0.5	0	0.5
D. Aitchison	0	1.25	2.25	3.5
A. Hannah	0	2.25	3	5.25
E. Grant	0	2.25	5.25	7.5
R. Davies	0	1.75	2	3.75
Pension Board				
R. MacKenzie	6	1.75	2	3.75
T. Caleary	0	2.25	45	47.25
D. Wilson	1	1	2.25	3.25
S. Harrower	0	1	n/a	1
H. Welsh	0	2	n/a	2
A. Milloy	0	1.75	3.25	5
L. Devine	0	1.75	5.25	7
A. Witty	3	2.25	5.25	7.5
N. McCarter	0	2.25	5.25	7.5

n/a – member not in post when training was delivered

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 2026/27 are expected to continue 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

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Board. This does not include a financial or other interest arising merely by virtue of being a member of the scheme.

Members of the Pensions Committee and Pension Board are required to adhere to the Council's Code of Conduct for Members and Officers.

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 2025/26, the Fund responded to 32 Freedom of Information requests (29 in 2024/25), 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
- Training Policy for members of the Pensions Committee and Pension Board
- Valuation Reports

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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 to 2027 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 was 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.

The next Funding Strategy will be set in 2027 following the conclusion of the 2026 triennial fund valuation.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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 then Fund Actuary, Hymans Robertson, and reported to the Pensions Committee in March 2024. The updated position since the 2023 valuation as estimated, by the new Fund Actuary Barnett Waddingham, is summarised in the Actuarial Statement for 2025/26 which is set out in Appendix 1.

In addition, the Fund requests that the incumbent actuary produces an annual estimate of the funding position at the end of each financial year to allow monitoring/tracking of the likely funding position in between the triennial valuations. The 2026 estimate is noted in the Funding Position section below.

A separate estimate of the Fund's liabilities, required for the accounts, 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 2026 can be found in Note 19.

Funding Position

The results of the 2023 formal 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 on the next page shows a more recent funding estimate as at 31 March 2026 prepared by the new actuary. The Fund's new actuary uses a different valuation methodology which means that the figures from the last valuation and the most recent estimate of the position at 31 March 2026 are not directly comparable. Under the new actuary, the funding level is estimated at 132%.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

However, an estimated funding level of 132% is still very positive and it should be stressed that the funding level is a very volatile metric which provides a snapshot in time. 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, with an investment strategy and funding strategy in place to achieve this goal.

	2020 Valuation	2023 Valuation	2026 Estimate
Assets	£2,329m	£3,195m	£4,046m
Liabilities	£2,481m	£2,330m	£3,068m
Funding Surplus / (Deficit)	(£152m)	£866m	£978m
Funding Level	94%	137%	132%*

* This compares to an estimation of 165% if previously used methodology had continued to be applied. Details regarding the change in actuary and the effect their different approach has had on the funding level are documented in the Management Commentary section.

For the avoidance of doubt -

- The estimated 2026 Fund liability of £3,068m 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 2026; and
- The estimated 2026 Fund assets of £4,046m does not appear in the financial statements as Barnett Waddingham's approach bases the asset value on 6-month smoothed market conditions.

Funding Assumptions

In estimating the March 2026 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.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Further relevant assumptions made are:

	2023 Valuation	2026 Estimate
Assumed future investment return (based on 75% likelihood of success)	5.1%	4.9%
Salary increase assumption	2.8%	3.7%
Pension increase assumption	2.3%	2.7%

The assumed investment returns (discount rate) have been set by reference to the Fund's long term investment strategy. As such, it reflects the long term expected return on assets for the Fund and incorporates an explicit prudence allowance for expenses and risk. This is the key assumption which has the greatest impact on the valuation of liabilities as the higher the rate of return that's used, the less money that needs to be held now (and hence a lower value of liabilities). The rate of return used to estimate the 2026 funding level is lower than at the 31 March 2023 formal valuation which, in turn, has increased the value of the liabilities for funding purposes.

The salary increase assumption still has some 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.

Alongside the three key assumptions, the actuary will consider longevity and mortality. The 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. Although the Fund has changed its actuary, it plans to continue using the bespoke mortality rates provided via 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. Additionally, the change to the Fund actuary

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

and resulting changes to assumptions and methodology employed has had a material impact in estimating the current funding position.

The change in funding position from a small deficit at 31 March 2020 to a surplus at 31 March 2023 was mainly derived from the improvement in gilt yields. At that time the actuary indicated that the likelihood of the Fund having sufficient assets to meet benefit payments improved from 70% at the 2020 valuation to 75% at the 2023 valuation.

The 2026 estimates shown in the tables above will be replaced by the actual funding position calculated for the 2026 actuarial valuation which is currently underway and will complete in early 2027. As noted earlier in this section, the change in actuarial methodology will impact on the comparative figures. The actual results of the 2026 valuation will differ from the estimated results produced by Barnett Waddingham for 2026 because all of the financial and demographic assumptions will be reviewed as part of the valuation process.

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

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Financial Performance

Overview

This section reports primarily on the Fund's income, expenditure, and cash flows during 2025/26.

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 2025/26, together with the budget for 2026/27, is set out below. More information about Fund costs is given in Note 11 and 11a.

	Budget 2025/26	Actuals 2025/26	Variance 2025/26	Budget 2026/27
Benefits administration	£	£	£	£
Employee expenses	990,400	849,235	(141,165)	1,084,730
IT Costs	508,330	482,840	(25,490)	528,330
Projects	40,000	0	(40,000)	40,000
Payslips and postage	70,000	73,482	3,482	81,000
Other	58,900	64,585	5,685	68,700
Benefits administration Total	1,667,630	1,470,142	(197,488)	1,802,760
Oversight and governance costs				
Employee expenses	309,580	201,544	(108,036)	331,230
Investment advice (inc. external)	332,800	327,895	(4,905)	375,000
Infrastructure deals & property advice	725,140	360,283	(364,857)	429,000
Actuarial fees	140,000	112,745	(27,255)	140,000
Engagement services and voting	90,000	89,103	(897)	90,000
Tax advice and legal fees	90,000	15,434	(74,566)	150,000

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Performance measurement	140,000	132,835	(7,165)	140,000
Other	137,310	95,745	(41,565)	168,310
Oversight & governance Total	1,964,830	1,335,584	(629,246)	1,823,540
Investment management costs				
Managers fees	3,461,530	2,909,913	(551,617)	4,708,000
Custodian costs	160,000	178,267	18,267	200,000
Aborted deal costs	75,000	0	(75,000)	75,000
Other	5,000	3,545	(1,455)	20,000
Investment management Total	3,701,530	3,091,725	(609,805)	5,003,000
Pension Fund Total	7,333,990	5,897,451	(1,436,539)	8,629,300

The main variances between the budgeted and actual amounts for 2025/26 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 vacancies within the team. Savings in recharges from LPFI for Infrastructure and Property deals due to changes in the recharge model.
Investment management	Underspend	Underspend in manager fees due to divestment from Baillie Gifford Sterling Aggregate Bond and moving to a Royal London mandate, for which no invoices are raised, as the charges are paid out of capital. The Investment Management fees are set as % of the asset value and due to market movements actuals will always differ from estimates.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

The budget for 2026/27 represents an increase of £1,295k from the 2025/26 budget.
The main changes are:

Cost category	Increase or Decrease	Comments
Benefits administration	Increase	The budget accounts for pay awards and additional posts, as well as inflationary increases to IT costs.
Oversight and governance	Decrease	Decrease in recharges from LPFI Ltd for sourcing and monitoring Infrastructure and Property deals due to changes in the recharge model.
Investment management	Increase	Increase in fees due to anticipated changes to the mandates in the new financial year.

Contributions made to the Fund in 2025/26

During 2025/26, employees and employers paid the following contributions:

Employer Name	Employees in £'000	Employers in £'000
Central Scotland Joint Valuation Board	123	390
Clackmannanshire Council	3,108	10,360
Falkirk Council	9,549	32,468
Forth Valley College	667	2,110
Scottish Police Authority	463	1,416
Scottish Childrens' Reporter Administration	1,330	3,641
SEPA	3,913	10,634
Stirling Council	5,979	19,858
Total Scheduled Bodies	25,132	80,877
Active Stirling Trust	200	467
Amey	5	-
Colleges Scotland*	39	206
Cowane's Hospital	9	39
Dollar Academy Trust	167	499
Forth & Oban Ltd (Falkirk schools)	18	-
Forth & Oban Ltd (Stirling schools)	36	-
Haven Products Limited	4	-

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Smith Art Gallery	9	28
Stoneweg (formerly Cromwell)	4	-
Strathcarron Hospice	487	1,552
Water Industry Commission	116	358
Total Admitted Bodies	1,094	3,149
Fund total (see Note 7)	26,226	84,026

* includes deficit contribution

The total pensionable pay of members on which contributions were levied was £425m (£407m for 2024/25). This means that average member contributions were 6.1% of pay (6.1% in 2024/25) and average employer contributions (excluding deficit repayment) were 19.0% (19.0% for 2024/25).

During the year, there were no instances of employers failing to remit contributions by the due date (two in 2024/25).

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)

	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000
Inflows					
Contributions and transfers from other pension funds	105,815	115,312	108,456	120,049	122,502
Outflows					
Benefits and payments to and on account of leavers	90,357	100,968	116,941	137,868	131,234
Net cash flow	15,458	14,344	(8,485)	(17,819)	(8,732)

The analysis of flows in and out of the Fund show that the Fund remained in a positive cash flow position till 2022/23. From 2023/24 the Fund entered a negative cash flow position due to two employers exiting where exits credits were payable, followed by the transfer of Scottish Fire and Rescue to Strathclyde Pension Fund in 2024/25. The negative net cashflow continued in 2025/26, where the Funds expenditure remained higher than contributions collected.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Contributions into the Fund rose due to annual salary increases. Benefit payments increased reflecting the higher aggregate number of pensioners receiving benefits and inflationary increase. However, the total benefits and payments on account of leavers reduced in 2025/26 due to the one-off bulk transfer noted above in 2024/25.

The longer-term cashflow trend is 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. This trend is expected to continue gradually as the Fund matures (with there being more pensioners/deferred members and less active members) and may also be affected by contribution levels set during the 2026 triennial valuation.

Despite the negative cashflow trend the Fund is under no pressure to sell assets to cover any shortfall due to its cash holdings and because many of the Fund's assets are income generative.

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. Work to confirm and recover any overpaid pension is ongoing with the total potential overpayment of £14,402.29.

During ongoing work to resolve these cases it was identified that of the £14,402.29 overpaid pensions, only £1,900 related to the Fund with the remainder relating to a scheme to which the Fund provides a payroll service for. Of the £1,900 due to the Fund, overpaid pension amounting to £265 has been recovered. Attempts to recover monies from the remaining three estates remains ongoing.

Officers are comfortable that the current processes in place minimise the extent of any overpaid pensions. The nominal sums to be recovered demonstrate that the issues relate to timing, rather than systemic errors.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

The next NFI exercise is due to take place in October 2026 and it is expected that the dataset to be provided in respect of pensioners will be expanded to include dependents who are in receipt of a deceased person's survivor pension

Conclusions

Fund expenditures were lower than budgeted, largely due to invoiced investment management fees and LPFI recharges being lower than anticipated. Fund maturity means that the negative cashflow position is expected to continue. All employers paid their certified pension contributions by 31 March 2026.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Scheme Administration

Overview

This Section reports on the administrative activities undertaken by the Pensions Team during 2025/26. It includes:

- Key Performance Indicators 2025/26
- In-house Pensions Team Organisation
- Value for Money Statement
- Membership Information
- Administration Activity and Performance
- Data Quality Standards
- Communications
- Administration Outlook for 2026/27

Key Performance Indicators 2025/26

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 2025/26	Target	Actuals
Audit of Annual Report and Accounts 2025/26	Unqualified	Awaiting
Benefit Statements issued by 31 August 2025	100%	95%
Contributions received within statutory deadline	100%	100%
Retirement lump sums paid within 15 days	90%	99%
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

In-house Pensions Team organisation

Fund administration is undertaken by the in-house Pensions Team. The team is divided into two sections:

- The Administration and Governance section is led by the Pensions Manager, consists of 22.4 FTE (including vacancies) and undertakes the day-to-day administration of the scheme benefits.
- The Accounting and Investments section is headed by the Accountancy Services Manager – Pensions, has 4 FTE (including vacancies) and provides accounting

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

and investments services to the Pension Fund, including management of operational cash.

Both the Pensions Manager and the Accountancy Services Manager – Pensions report to the Chief Finance Officer.

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 of the LGPS Funds in Scotland. The system is reviewed regularly by Heywood, the software vendor, and upgrades are provided at least quarterly 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 2025/26.

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

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Northern Trust
Passport

Fund Custodian Services

Value for Money Statement

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

The Fund strives to deliver value for money by monitoring:

- costs against budget (see page 38)
- year on year total and unit costs (see table below)
- performance statistics (see page 52)
- success in completing key activities (see page 53)
- investment cost through benchmarking (see page 47)

The Fund's total unit costs per member in 2025/26, split across the cost categories of investment management, administration and oversight and governance (see Note 11) were as follows:

	2021/22	2022/23	2023/24	2024/25	2025/26
Investment management expenses					
Total cost in (£000)	16,914	18,465	15,301	14,362	13,237
Total membership numbers	36,978	38,563	38,899	39,787	40,501
Sub cost per member £	457.41	478.83	393.35	360.97	326.83
Administration costs					
Total cost in (£000)	984	1,260	1,246	1,311	1,470
Total membership numbers	36,978	38,563	38,899	39,787	40,501
Sub cost per member £	26.61	32.67	32.03	32.95	36.30
Oversight and governance costs					
Total cost in (£000)	1,014	1,026	1,219	1,147	1,335
Total membership numbers	36,978	38,563	38,899	39,787	40,501
Sub cost per member £	27.42	26.61	31.34	28.83	32.96
Total cost per member £	511.44	538.11	456.72	422.75	396.09

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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 increased in comparison with previous years. The increase is a result of filling a vacancy in the team and external investment advice costs incurred to procure reports exploring fiduciary duties and responsible investments, as requested by the Committee.
- *Investment management costs* have decreased by £1.1m from the 2024/25 level. This is a result of more Fund's assets being managed by LPFI Limited. The infrastructure costs were also lower. This reflects the lower net asset value the fees were being paid on, as distributions were paid out during the year. A further breakdown can be found in Note 11a.

LGPS Code of Transparency

The LGPS Code of Transparency has evolved over the past few years with its aim being to provide Funds with comprehensive data on investment costs including fees that have been both invoiced and deducted from capital. It built 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 provide cost information in a standardised format using templates established under the Cost Transparency Initiative (CTI) and these are uploaded 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 2025/26, 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 available, disclosed the investment management costs reported by managers through the CTI in the figures reported in the net asset statement. These costs include fund managers fees as well as costs charged to capital.

Investment Cost Benchmarking

In 2025/26, the Fund once again participated in a cost benchmarking exercise undertaken by specialist firm CEM. CEM is an independent global benchmarking company with a database of over 500 global pension funds, representing \$16 trillion in

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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 2024/25. The Fund returns were compared with 41 global peer funds ranging from £1.4bn to £4.7bn.

The results showed the Fund's costs as 43.3 basis points (bps) of invested assets, which was below the Fund's benchmark cost of 62.0 bps. Over a longer period the Fund's costs had fallen from 57.8 bps in 2016 to 43.3 bps in 2025. The 5-year net total return of 8.9% was above the CEM LGPS median of 8.4%.

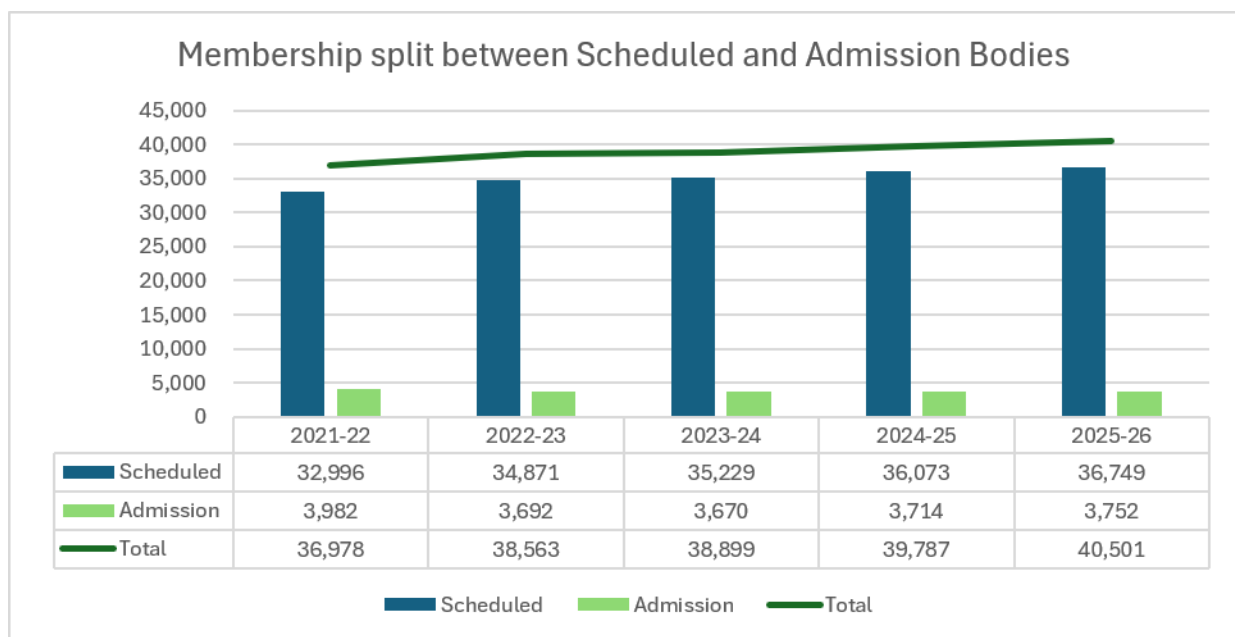
Analysis of investment costs remains a complex subject matter where data can be patchy and specialist expertise is essential to understand data and reach informed conclusions.

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).

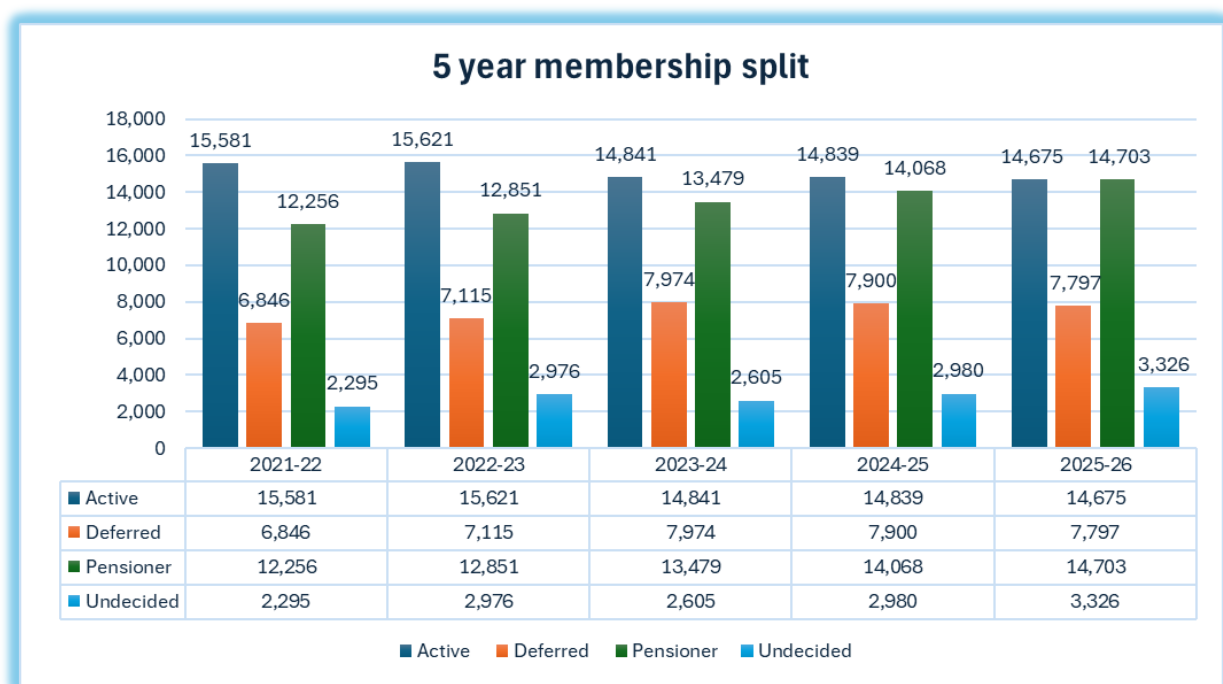
The chart below shows how total Fund membership (active, deferred, pensioner and undecided members) has changed over the past 5 years split between Scheduled and Admission Bodies. It shows that total membership over the past four years has increased at an average of around 2.3% p.a. It also indicates that 91% of scheme members in the Fund work for Scheduled Bodies.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26



Source: Falkirk Council Pension Fund

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



Source: Falkirk Council Pension Fund

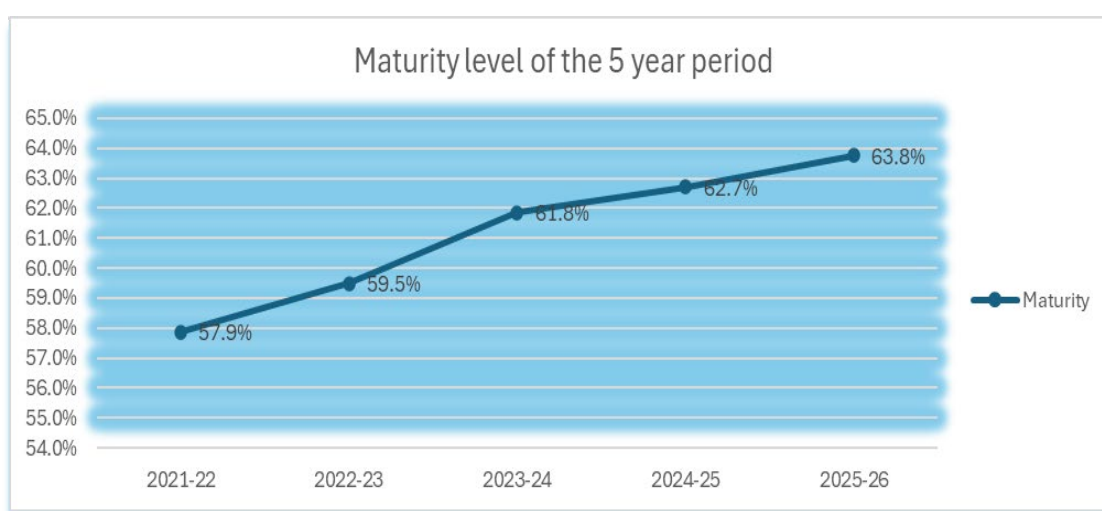
The chart shows that as of 31 March 2026 there was an increase across two membership groups for pensioner and undecided members and a decrease in active and deferred groups. The increase in undecided leavers has primarily been driven by

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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 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 (pensioners and deferreds) to total members (pensioners, deferreds and actives). The chart on the next page, shows a steady increase in the maturity level over the years. Changes to the contribution rates following the 2023 valuation and increases in maturity ratio, have an impact on the Fund's cash flow position.



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 2026 is as follows:

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

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

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Analysis of New Pensioners during 2025/26

Retirement type	
Late retirement	140
Normal retirement**	514
Flexible retirement*	46
Efficiency	69
Redundancy	1
Ill health	67
Total	837

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

** normal retirement includes retirements from deferred status.

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 Additional Voluntary Contributions (AVC) requests
- benefit 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

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

The provisions relating to concurrent membership, aggregation of member rights, assumed pensionable pay, certificates of protection, relevant benefit crystallisation events and Annual Allowance continue to be the most challenging and resource intensive areas of these activities.

Project work undertaken in 2025/26 included:

- Migration to new member self-service portal
- Implementation of the McCloud remedy
- Onboarding to the Pensions Dashboard
- Investigating the results of the biennial National Fraud Initiative

Performance Information

Performance Indicator – Volume and Completion Rate

	New member enrolment	Estimate requests	Retirements from active status	Other transactions
Cases in scope				
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
2025/26	2,093	679	474	17,587
Cases completed by year end				
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
2025/26	2,046	633	431	16,003
Cases due at year end				
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

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

2024/25	64	109	107	1,891
2025/26	47	46	43	1,584
Completion rate				
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%
2025/26	97%	93%	90%	91%

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				
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
2025/26	2,046	633	431	16,003
Cases meeting target				
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
2025/26	1,777	502	427	14,464
Completion rate				
2020/21	73%	64%	96%	88%
2021/22	67%	58%	93%	88%
2022/23	84%	62%	83%	86%
2023/24	85%	71%	91%	91%

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

2024/25	75%	75%	73%	89%
2025/26	86%	79%	99%	90%

*Other transactions cover an array of member related activities such as letters, transfer requests, changes of address, nominations, etc.

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 or from the pension fund website at <https://falkirkpensionfund.org/resources/dispute-procedure-guide-2/>.

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.

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



Pensions Ombudsman

0800 917 4487



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 2025/26

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

exercise disclosed that the Fund had a Common data score of 99% (99% in 2024/25) and a Scheme Specific data score of 93% (92% in 2024/25).

The biggest contributor to omissions in the Common data is address data. The quality of address data remains affected by the monthly data uploads by employers where incomplete address data is being uploaded and overwriting fund held data. Work with employers to improve their records is ongoing. 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.

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 8.

All pensioners receive a paper P60 annually and a paper pension advice slip in the months of April and May to publicise the effect of the April pensions increase. Active and deferred members are issued with a personal pension statement annually and all members can register and use the facilities of the online member self-service portal which can be accessed through the Fund's website.

The Fund's website - www.falkirkpensionfund.org - contains a link to the online member self-service portal as well as 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 and the payslip messaging facility.

Administration Outlook for 2026/27

In the year ahead, the administration team expect to undertake developments in the following areas:

- Implementation of Altair Workflow
- The National Fraud Initiative
- The Pensions Dashboard

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Investment Market Review

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

Following the rapid rise in UK interest rates over recent years, UK government bonds traded in a relatively narrow range over the period. Gilt returns had been supported by falling inflation expectations, though this reversed sharply following the escalation of events in the Middle East. Having started the period at 4.7%, the 10-year gilt yield declined to 4.2% at end February 2026, before ending the period at 4.9% amidst heightened rate volatility. The return on the FTSE Gilts All Stocks index (fixed rate bonds) for the year was +2.5%, while the FTSE Index-Linked Gilts All Stocks Index (inflation-linked bonds) returned +4.1%.

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

At the time of writing, much attention is focused on the Middle East, with the US and Iran continuing to exchange proposals on a draft peace agreement. Global energy supplies remain disrupted two months from the start of the conflict and the longer the supply shock persists, the greater the cumulative impact it will have on the global economy. Stagflation risks are rising, with the UK already seeing lower growth forecast alongside higher inflation and falling consumer confidence. At the same time, there

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

has been a renewed surge in momentum for AI-related stocks, with many of the usual hyperscaler and semi-conductor suspects (Alphabet, Amazon, NVIDIA, ASML etc) trading at or near all-time highs, as investors have gained some measure of comfort from recently reported results. As ever, there remain ongoing macroeconomic and geopolitical challenges for market participants to navigate.

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

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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) is a requirement of the Scheme rules and 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, with both parties receiving advice from the Joint Investment Forum (JIF).

As set out in the SIP, the key investment objectives of the Fund 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

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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 and are reviewed by the Committee. 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. Whilst the SIP outlines the Fund's approach to ESG matters in broad terms, the topic is covered in more detail in the Fund's separate Statement of Responsible Investment Principles.

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 then 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 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 providing investment services to Falkirk through a shared service arrangement.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

In line with statutory requirements, the JIF meets on a quarterly basis to discuss investment performance, macro conditions, risk and other investment related issues. During 2025/26, discussions were dominated by geo-politics, including President Trump's tariff policies, the weakening dollar, market fallout from the Middle East conflict and more generally disruption to the rules-based order of the modern era. Other important topics discussed were the extent to which technology and AI would continue to disrupt global markets and how asset allocation should be managed in the face of these extraneous challenges.

In addition to its participation in the JIF, LPFI act as the investment manager for several of the Fund's mandates. LPFI also provides the Fund with an advisory and arranging service 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 directly from managers and through 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. This entails holding a well-diversified portfolio of global assets designed to deliver reliable income streams and sustainable capital growth. The Fund will also seek to hold assets that are uncorrelated with each other to reduce the risk of adverse political or economic events causing widespread damage to the value of the Fund as a whole.

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

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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.

To ensure Fund strategy remains relevant in the face of any economic and demographic developments, an in-depth review takes place at least every three years in tandem with the triennial Valuation process. The next such review will take place over the summer and autumn months of 2026.

As an open Fund with a long-term time horizon, the Fund has historically maintained a strong weighting to equities due to their extensive track record as the optimum source of returns amongst asset classes of investable quality. A weighting to lower risk infrastructure has also been a feature of the Fund for over a decade due to its predictable cash generation and inflation hedging properties. Arguably, whilst index linked gilts are the best match for meeting the Fund's long term pension obligations, it is only in the past 3 – 4 years as interest rates have risen (and pricing become more attractive) that the Fund has felt more comfortable to increase its allocation in gilts.

The current iteration of the strategy was agreed in March 2024. This followed an asset/liability modelling exercise undertaken with Lothian and Fife Pension Funds. The key changes made at that time were:

- to reduce the 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%

During 2025/26, the tactical advice from the JIF has been to be underweight Equities and Credit and overweight Real Assets (i.e. Infrastructure), Sovereigns and Cash. Activity during 2025/26 has therefore been to re-position asset allocation in line with the JIF advice but subject to market conditions and the availability of certain assets.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

An example of this re-positioning was the trimming of UK equities in early 2026 following strong performance by the manager.

With regard to equities specifically, the strategy is that a significant proportion should be in stocks that are lower risk and have value and income characteristics. This 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 President Trump’s “liberation day”, and the fall-out from the recent Middle East conflict, when markets pulled back sharply, this dynamic played out with the Fund out-performing its benchmark index.

Recognising the volatility and uncertainty created by the Middle East situation, the potential impact on energy prices, inflation and interest rates, and the ensuing fiscal challenges for the UK Government, the Fund broadened its Sovereigns exposure by making an allocation to short-dated gilts in March 2026.

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 2025/26 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%

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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, the Fund looks 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. This is particularly relevant in periods, such as at present, when economic shock (from Middle East conflict) may trigger higher interest rates.

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 2025/26, with an allocation to short dated gilts being made to act as a counterbalance to the Fund's longer dated holdings which may come

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

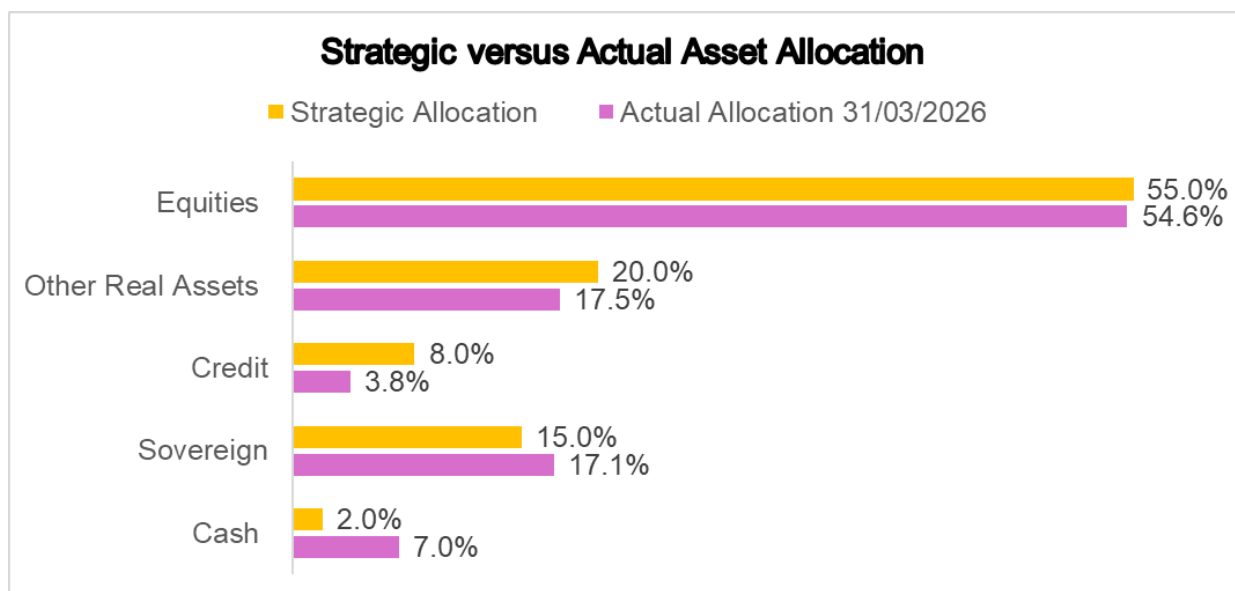
under pressure should the UK's fiscal position deteriorate, a situation exacerbated by current geopolitical events.

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 2026 is as shown in the following table:



n.b. The % allocation is calculated on the total Fund assets, including direct property and cash held in deposits and will differ from the allocation included in the Northern Trust performance reported on page 69.

Source: Falkirk Council Pension Fund

The actual allocation will 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

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

As at March 2026, the Fund is close to its target weight for Equities but is materially underweight Real Assets and Credit. By contrast, it is overweight Sovereigns and Cash. All allocations are comfortably within the prescribed ranges agreed by Committee.

The underweight position in Real Assets – essentially in the Infrastructure sub asset class – reflects the fact that whilst cash distributions from more mature investments have been made to the Fund, these have not been replaced by new investments. This in turn reflects the challenge - in a higher interest rate environment - of sourcing deals at the right price, with the correct risk profile and which will deliver returns greater than gilts.

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. Conversely, in the prevailing environment, it is deemed prudent to be overweight Sovereigns and 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 the unsettled nature of the international landscape and global economy.

Evolution of Asset Allocation over the year to 31 March 2026

An unrelenting flow of headline grabbing news across 2025/26 has prompted equities to rise and fall continuously, triggered by events such as President's Trump liberation day; AI inspired market exuberance; AI inspired market angst; conflict in the Middle East; and, in the UK, the fiscal challenges facing the UK Government. For Falkirk, equities ended the year at 54.6% of the Fund, remarkably close to their starting value of 54.9% at 31 March 2025, despite the Fund trimming one of the mandates by £100m following good performance. Overall, the bias towards lower volatility stocks helped the Fund navigate the wider gyrations of markets during this period.

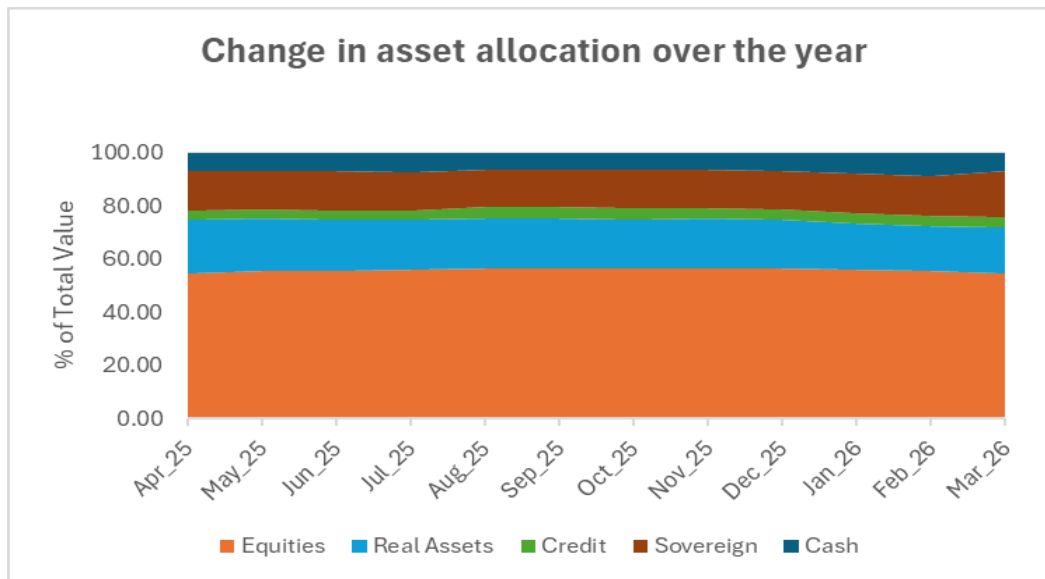
Sovereigns increased from 15.3% to 17.1% as the higher interest rate environment pushed up yields and created attractive entry points. Cash was maintained at an elevated level during the year in anticipation of an allocation being made to short term

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

gilts, and in view of the attractive returns available and the safe haven status of cash. At year end, Cash was 7.0% of the Fund.

Real Assets (Infrastructure and Property) declined as valuations were adjusted in line with market conditions and as the pipeline of new investments slowed.

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



Source: Falkirk Council Pension Fund

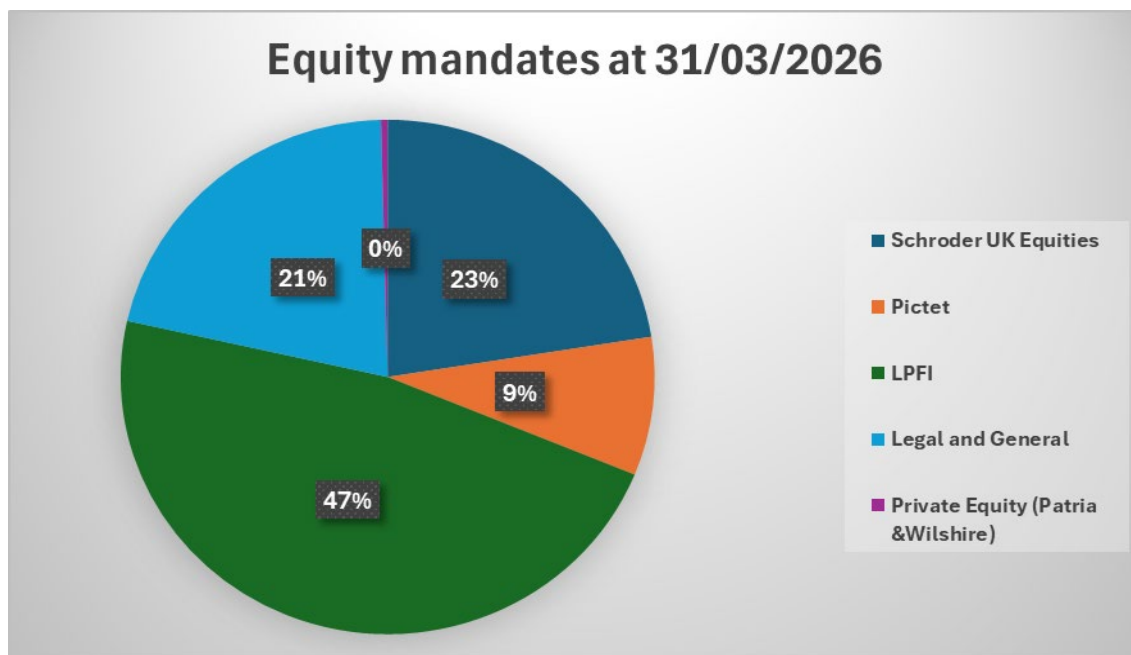
FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Investment Mandates and Managers

The Fund's allocation of assets to policy groups and investment mandates is as shown in the pie charts below:

Equities

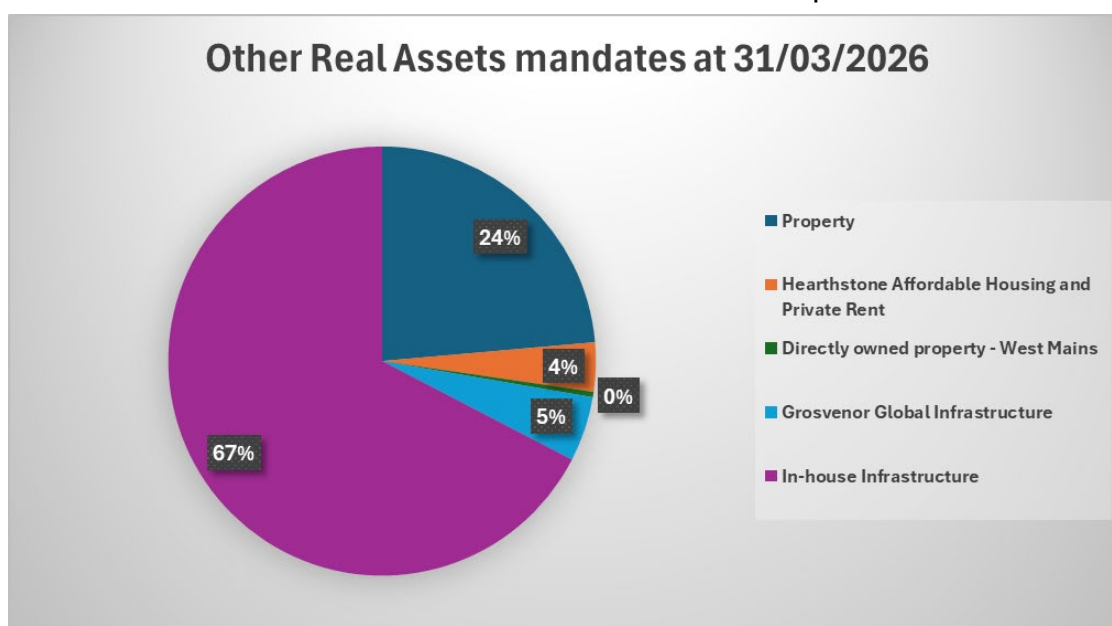
At 31 March 2026, 54.6% of the Fund's assets were invested in Equities as follows:



Source: Falkirk Council Pension Fund

Other Real Assets

Other Real Assets formed 17.5% of the Fund and were split as shown below:

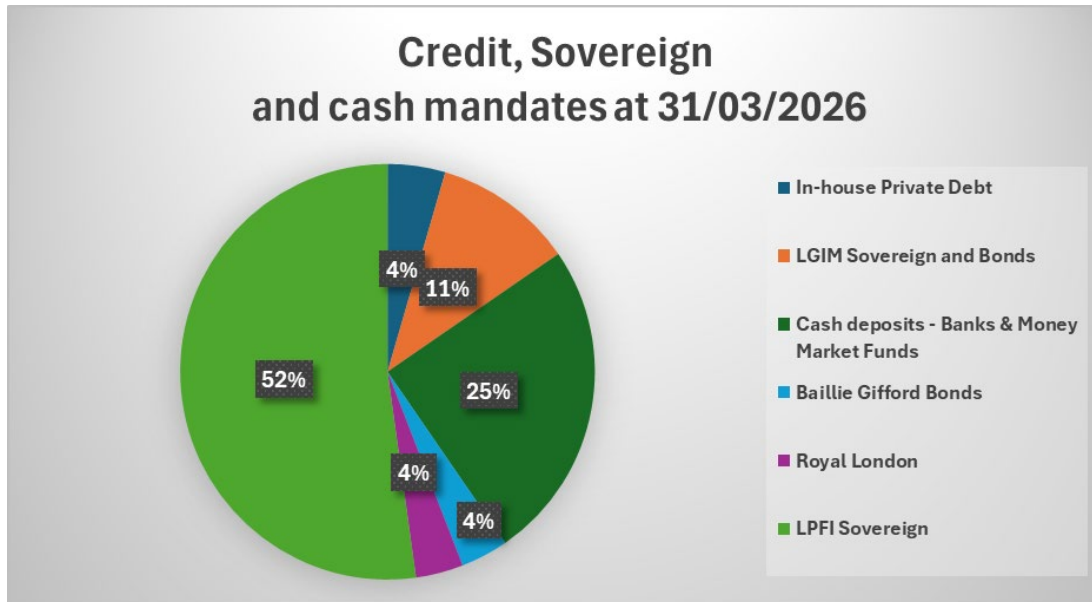


Source: Falkirk Council Pension Fund

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Credit, Sovereigns and Cash

The remaining Fund assets were allocated between Credit (3.8%), Sovereigns (17.1%) and Cash (7.0%), managed as follows:



Source: Falkirk Council Pension Fund

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Investment Performance

This section of the Annual Report deals with the Investment Performance of the Fund during 2025/26 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 11.1% falling slightly short of its primary benchmark of 12.0% by 0.90%. 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 2025/26 performance by policy group:

Policy Group	Value £m	Weight %	Fund Return %	Benchmark Return %	Excess Return %
Equities	2,139.1	54.7	17.8	15.7	2.1
Other Real Assets	687.5	17.6	3.2	12.1	-8.9
Sovereigns	669.8	17.1	2.1	3.2	-1.1
Credit	192.9	4.9	4.7	4.6	0.1
Cash	221.9	5.7	4.2	4.2	0.0
Total Fund	3,911.2	100	11.1	12.0	-0.9

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

Source: Northern Trust

As can be seen from the table above, the Fund's return of 11.1% was largely driven by equities as markets were buoyed by strong corporate earnings, robust profit margins

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

and enthusiasm for the potentially transformative impact of Artificial Intelligence. Only in March 2026 did the shine come off the equity performance as the implications of the Iran conflict emerged. During the year, other asset classes – real assets, sovereigns and credit – delivered modest but positive cash like returns.

Over longer term time periods, returns show positive outperformance with the Fund beating its benchmark over the 5-, and 10-year time periods as well as since inception (2001). More recently in the 1- and 3-year time frames the returns have only just been slightly below benchmark but still positive in absolute terms.

Gross Returns	1 year (2025/26) %	3 years % per annum	5 years % per annum	10 years % per annum	Inception % per annum*
Fund Return	11.1	7.8	7.4	8.2	7.6
Benchmark Return	12.0	7.9	3.3	6.4	6.6
Excess Return	-0.9	-0.1	4.1	1.8	1.0

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

Source: Northern Trust

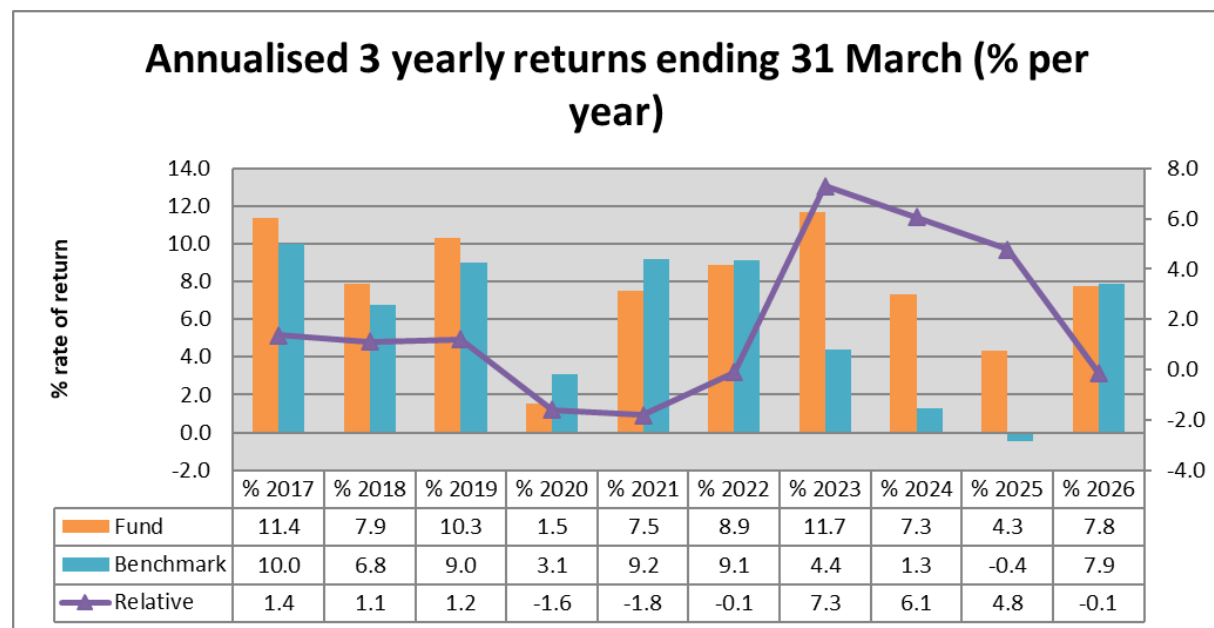
Performance requires to be considered in the context of risk taken. For example, over the 5 years to 31 March 2026, the Fund's annualised standard deviation of returns was 6.5% against the benchmark standard deviation of 10.2%. The Fund has therefore delivered higher returns against the benchmark (7.4% p.a. vs 3.3% p.a.), with a lower level of risk than the benchmark. A further measure of performance relative to the level of risk taken is the Sharpe ratio. Over the same 5 years period the Fund achieved a Sharpe ratio of 0.9 vs the benchmark Sharpe ratio of 0.2, 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 towards the end of the last decade generally reflects the benign

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

conditions enjoyed by investors based on low interest rates and an era of quantitative easing by central banks. The returns at March 2020, 2021, and 2022 capture the dips caused by the Covid 19 pandemic. Subsequent returns variously reflect the normalising of economic activity post pandemic and the Fund's tilt towards a lower risk equity strategy.



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 JIF. In certain circumstances, the Fund may seek advice from external advisers.

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

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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 manifestly 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 below shows the annualised gross return achieved by managers of the larger Fund mandates over 1-, 3- and 5-year periods to 31 March 2026:

	Absolute Return			Benchmark			Relative to Benchmark		
	1 Yr	3Yr	5Yr	1Yr	3Yr	5Yr	1Yr	3Yr	5Yr
Mandate	%pa	%pa	%pa	%pa	%pa	%pa	%pa	%pa	%pa
Equities	17.8	13.1	11.1	15.7	12.7	9.7	2.1	0.4	1.4
LPFI									
GLOVE	11.3	9.6	n/a	17.5	14.1	n/a	-6.1	-4.5	n/a
LPFI GHD	23.3	n/a	n/a	17.5	n/a	n/a	5.8	n/a	n/a
LPFI									
SMuRV	15.9	n/a	n/a	17.5	n/a	n/a	-1.6	n/a	n/a
Schroder									
UK	19.1	15.8	14.7	21.5	13.3	11.1	-2.4	2.4	3.6
Value									
LGIM									
Passive	19.4	13.7	10.7	19.6	14.0	10.9	-0.2	-0.3	-0.2
LGIM									
Reduced									
Carbon	24.1	15.8	13.0	24.7	16.2	13.1	-0.6	-0.5	-0.1
Path.									
Pictet									
Global	9.5	4.8	4.5	17.5	14.1	10.5	-8.0	-9.3	-6.0
Env Opps									
Private									
Equity	-5.1	-6.6	-1.1	-17.5	14.1	10.5	-22.5	-20.7	-11.7
Real									
Assets	3.2	4.3	10.0	12.1	9.8	-1.7	-8.9	-5.5	11.7

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Infra-structure	3.2	4.6	13.1	2.8	-1.7	-8.0	0.4	6.4	21.1
Property	3.3	3.1	3.6	4.3	3.3	3.0	-1.0	-0.2	0.6
Hearthstone									
Affordable Housing	3.0	4.2	5.1	6.0	5.9	8.8	-3.0	-1.7	-3.7
Credit	4.7	3.9	0.8	4.6	4.5	-0.5	0.1	-0.6	1.3
Baillie									
Gifford Bonds	4.3	3.9	n/a	2.7	0.8	n/a	1.6	3.1	n/a
LGIM 6A Fund	3.9	3.7	-1.0	3.9	3.7	-1.0	0.0	0.0	0.0
Private Debt	5.5	6.3	7.2	7.9	8.7	7.4	-2.5	-2.4	-0.1
Royal London Bonds	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sovereign	2.1	-8.2	-11.9	3.2	-8.3	-13.4	-1.1	0.2	1.5
LPFI Index									
Linked Bonds	3.2	-8.4	-12.8	3.2	-8.3	-13.4	0.0	-0.1	0.6
LPFI									
Nominal Gilts	0.5	n/a	n/a	0.4	n/a	n/a	0.1	n/a	n/a
LGIM Short Term 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

All figures are rounded to the nearest decimal place.

Source: Northern Trust

Comment on Manager Performance

Equities

In aggregate, equities delivered a return of 17.8% during 2025/26 with positive performance from all managers.

Strong absolute returns came from the rules-based Fundamental Weighting mandate managed by LGIM (24.1%) and from the LGIM market cap passive mandate (19.4%), with both sets of performance reflecting corporate strength and the resilience of global

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

markets throughout the year. With the Fundamental Weighting mandate, 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.

Similarly strong returns came from the LPFI managed Global High Dividend mandate (23.3%) and the Schroder UK Value mandate (19.1%). Both mandates benefitted from exposure to large cap companies with markets seemingly becoming more disposed to recognise value beyond technology stocks and, in the case of the Schroder mandate, the relative cheapness of UK stocks.

The LPFI low volatility “GLOVE” mandate continued to perform creditably (11.3%), its defensive characteristics being a helpful foil at times of market stress during the year (e.g. US tariff demands).

One of Fund’s newer mandates, the LPFI managed SMURV mandate, also performed well in absolute terms (15.9%). The mandate targets value-oriented stocks which have low volatility characteristics and in 2025/26 benefitted from the broadening out of equity returns away from the technology sector.

Although posting a positive return, the Pictet Global Environmental Opportunities mandate (9.5%) continued to suffer from its ESG themed stocks being less favoured by the market. Coupled with its lack of exposure to “Mag 7” stocks, a new headwind was concern that Pictet’s stock selection was at risk from the wider adoption of AI. The manager remains confident that improved returns can be achieved by continuing to focus on “big picture” themes such as climate adaptation and clean power generation.

The Fund has a minimal exposure to private equity through Fund of Fund vehicles managed by Wilshire Associates and Patria Global Private Markets Solutions (-5.1%). Due to the higher risk, higher reward nature of private equity investments, the Fund has made no new commitments since 2014. The funds are in the wind down phase of their lifecycle and now represent less than 0.2% of total Fund assets. Performance in 2025/26 reflects the write down of asset valuations in anticipation that remaining assets will be of a less saleable nature.

Notwithstanding the Fund’s bias towards lower risk stocks, the Fund recognises that there are diversification benefits in having exposure to different equity styles. These

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

are likely to behave and perform differently to each other over the economic cycle but can assist in smoothing out returns. Inevitably, however, this means from year to year there will be a dispersion of returns across mandates.

Infrastructure

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

Other than the Fund of Fund vehicles, 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 therefore lower risk than traditional private equity investments.

Notable investments in 2025/26 were:

- a hydro scheme in Glen Etive delivering renewable energy
- a follow up stake in a PPP focused fund with assets in Onshore and Offshore Renewables, Student Accommodation, Social Housing and Road and Rail projects,

Over the year, combined returns from Grosvenor Capital and the LPFI collaboration were 3.2%. Longer term the infrastructure programme has delivered a total value to paid in capital of 1.4 times monies invested at an internal rate of return of 9.1%.

Property

The Fund's property holdings are spread across 14 funds being a mix of balanced funds and more specialist funds. The holdings are managed by a range of managers, including Schrodgers, 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, the Legal and General managed Industrial Property Investment Fund and the Legal and General

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Managed Property Fund. During the year, the latter fund merged with the Hermes Property Fund which but for the merger would have been wound up due to the level of redemption requests it faced.

Funds currently remain vulnerable to a high level of redemption requests, in part triggered by the LGPS pooling initiative in England and Wales. This has led to two of Falkirk's underlying property funds moving into wind up mode. The Fund's strategy is therefore to focus on larger, well-resourced balanced funds supported by a range of specialist alternative funds. Consistent with this, the portfolio is underweight retail and office funds, and overweight industrials and alternatives. The aggregate return for 2025/26 was 3.3% versus the property benchmark of 4.3%.

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 rolling basis over the period to 2027, at which time properties will be let out directly by the fund. The return for 2025/26 was 3.0% versus the Fund manager's RPI linked benchmark of 6.1%.

Credit

The Fund's allocations to Credit are spread across 4 mandates – investment grade corporate bonds with Baillie Gifford and separately with Royal London; 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 4.3% were ahead of the 2.7% benchmark. A similar level of return – 3.9% - 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 5.4% was achieved in the year. Although

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

returns have been stable, it is noticeable that larger number of loanes are now on watch lists which may start to put returns under pressure.

During the year, the Fund invested in the Royal London RLPPC Sterling Corporate Bond Fund. This is an actively managed fund which targets a mix of high-quality, liquid bonds that offer attractive yields and enhanced protections. An ESG overlay is in place to fine tune issuer selection. Performance numbers are limited to Q1 2026 where the manager outperformed its benchmark by 0.4%

The aggregate return for credit in 2025/26 was 4.7% against a benchmark of 4.6%.

Sovereigns

The Fund's Sovereigns exposure is managed by LPFI and LGIM. LPFI manage two mandates - Over 15 year nominal gilts and Over 15 years index linked gilts. Both are passively managed, hence returns for the year being broadly in line with benchmark. Nominal gilts returned 0.53% whilst Index Linked gilts returned 3.2%.

The longer-term duration of the Over 15 year gilts mandates, whilst having positive liability matching properties, does make the assets sensitive to changes in bond yields, as witnessed by the performance in March, 2026 when nominals fell by 7% in response to the Middle East war.

In line with strategic advice to be overweight Sovereigns, the Fund has increased its allocation to nominals and index linked gilts during the year, notably funding this from the sale of US Tips from the mandate managed by LPFI. The switch was made on account of concerns around dollar weakness and the improved returns available from sterling gilts.

For broader diversification of Sovereigns, the Fund has opened a position in short-dated gilts in a fund managed by LGIM. No performance numbers are available as this mandate was only funded in March 2026.

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 are more than compensated by the improved funding position that results from the fall in the Fund's liabilities.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Investment Holdings

The Fund's ten largest direct equity holdings at 31 March 2026 are listed below:

Name of Stock	Market Value as at 31/03/2026 in £	Sector
BRITISH AMERICAN TOBACCO	28,941,268	Consumer Staples
GSK PLC	27,827,304	Health Care
LOCKHEED MARTIN CORP	27,109,445	Industrials
SHELL PLC	24,979,809	Energy
BP	24,125,162	Energy
IMPERIAL BRANDS PLC	23,151,609	Consumer Staples
TESCO	21,585,814	Consumer Staples
SAINSBURY(J)	20,603,299	Consumer Staples
ASTRAZENECA PLC	20,037,601	Health Care
RIO TINTO	19,890,047	Materials

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 British American Tobacco and is approximately 0.74% of the Fund value, and therefore comfortably within the statutory ceiling. The top ten holdings account for around 6% of the total fund value.

A full list of Fund holdings can be found on the fund website.

<https://www.falkirkpensionfund.org/resources/assets-listing-at-31-03-2026/>

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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 originally adopted by the Fund during 2020/21 and has most recently been updated at the Pensions Committee meeting of 14 March 2024. The SRIP will be reviewed and updated as required later in 2026.

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.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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 provide 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.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

To report on our activities and progress towards implementing the principles.

A summary of Voting and Engagement 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 and updated in 2026 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 and shareholder resolutions

More information on the Fund's approach to Stewardship is contained in Section 4 of the Statement of Responsible Investment Principles (a link to this is available in Appendix 3).

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 December 2025, Hermes were providing stewardship services to clients with an aggregate of US \$2.4 trillion of assets. They were appointed as the

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Fund provider on 1 October 2021 and following a recent regulated procurement will be reappointed from 1 July 2026.

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 \(International\) \(hermes-investment.com\)](https://eoslibrary.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 company Board effectiveness and executive pay to climate risk, natural resource stewardship and human rights. Some examples from 2025/26 of where engagement has been undertaken and changes/potential outcomes is summarised below:

Centrica - Updated its climate transition plan, bringing forward Scope 1 and 2 emissions net zero commitment to 2040 from 2045, while retaining its 2050 net commitment for customer Scope 3 emissions

Procter & Gamble - Long term engagement discussing ongoing integration of business and sustainability strategies and encouraging progress on sustainable products, climate and executive remuneration

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Netflix	-	Overhaul of executive compensation plan and changes to improve alignment of board decision-making to long-term shareholder interests
Eni	-	Development of grievance mechanism to reduce grievances over time and increase grievances resolved. Monitoring will continue on the company's performance in mitigating human rights risks including further improvements to its grievance resolution rate

Engagement and Divestment

It is a Fund belief, as set out in the Statement of Responsible Investment Principles, 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, defence companies, tobacco 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 overall could 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.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

At their March 2025 meeting the Pensions Committee noted that the wholesale exclusion of certain “sin” stocks as part of the Fund’s investment policy would be very complex and require a comprehensive understanding of the full implications of such an approach including the legal implications. The Committee agreed to obtain specialist external advice on industry approaches, comparison with peers and an interpretation of fiduciary, legal and regulatory guidance. An initial round of specialist advice was presented to Committee in September 2025 and after consideration the Committee confirmed that they wished to explore further the implications and practicalities of implementing exclusion/divestment policies for certain weapons and fossil fuel classifications. Detailed work has been undertaken by investment consultancy firm Isio and an outcomes report will be presented to the June 2026 Committee meeting.

Impact and Local 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 Scotland and 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.

The subject of local investment has been in focus particularly for the England and Wales LGPS with the Pensions Schemes Bill being debated during the year. Currently, this does not directly affect the Scottish LGPS but being mindful of central government’s desire for greater local investment and collaboration, Scottish LGPS funds were invited to events in March 2025 and 2026 to explore possibilities around collaboration and local investment.

The Fund already collaborates with Lothian and Fife Pension Funds on investment but appreciating that the impact of collaborating with a larger set of funds may be beneficial, the Fund attended these events. At the March 2026 event Funds were given a chance to consider a suggested Voluntary Collaboration Vision which, following the event was revised and, along with a draft framework for a Memorandum of Understanding, was circulated to the Funds. The intention is for the Vision to be taken to Funds’ Committees and Boards over the coming months and have a finalised and endorsed Vision by the end of September.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

The Fund plans to take the Vision to the August Committee meeting and in the meantime Funds are looking to collate what information they have available regarding local investment.

Climate Change

The risks posed by climate change and global warming have been identified as a major risk to the human life and therefore to future Fund returns.

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) 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, Schroders, Pictet and Royal London.
- by being part of the Local Authority Pension Funds Forum where the collective voting strength of 87 funds and 7 England and Wales pool companies 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

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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 and climate risk scenarios will be reviewed again during the 2026 Fund Valuation.

Specific climate risk reporting requirements were expected to come into effect for Local Authority Pension Funds however details are still 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.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26



Local Authority Pension Funds Forum (LAPFF)

LAPFF is an umbrella organisation representing the interests of majority of Local Government Pension Funds in UK with assets of over £425 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 promotes the highest standards of corporate governance to protect the long-term value of local authority pension funds. It is a member led Forum with company engagement being undertaken by Fund trustees and asset owners.

LAPFF campaigns to change corporate behaviour include executive pay, conflict affected areas, water stewardship, gender equality, climate change / fossil fuel emissions and reliable company accounting. Due to the collective heft of LAPFF, engagement is invariably at a personal level with company chairs or senior executives.

Focus areas for 2025/26 have been on the so-called hard-to-abate sectors, including steel, aviation and cement; governance concerns such as high pay; and social factors, including human rights in the mining sector and low pay amongst retailers.

On climate and the environment, LAPFF considers it best practice for companies to put their climate transition plans, or “Say on Climate”, to shareholder vote at least once every three years. LAPFF continues to lobby for companies to grant specific “Say on Climate” votes at AGMs and engages with companies on the development of disclosure and the implementation of robust climate transition strategies.

Prominent amongst recent engagements have been:

- Food and Agricultural supply chains on encouragement to prepare for climate change adaptation and resilience
- Water utilities regarding the growing risks posed by “forever chemicals”
- Water stewardship with water utilities and mining companies
- Aviation companies who are heavily dependent on fossil-based jet fuel making it a significant source of hard-to-abate emissions
- Steelmakers to assess the sector’s progress in commercialising and scaling low/no carbon steel and the credibility of transition delivery plans

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

- Cement producers as cement production produces high carbon emissions
- Sectors with specific exposure to zero-hours contracts ahead of new employment legislation

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 Conflict-Affected and High-Risk Areas (CAHRAs), LAPFF's expectations are aligned with the UN Guiding Principles on Business and Human Rights (UNGPs), 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:

- adopt and 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.

During the year LAPFF published its position statement on engagement expectations of companies operating in CAHRAs highlighting the material risks that companies and investors face as conflict increases and signed an investor statement calling on companies operating in CAHRAs to implement responsible policies, governance systems, and HHRDD consistent with the UNGPs.

In relation to the development of national policy, LAPFF acts as a conduit for local authority pension fund concerns to be raised politically.

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. In addition LAPFF produce voting alerts in advance of company AGMs where LAPFF have a view to share with members regarding how they may wish to vote.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Through LAPFF the Fund also gains access to other insights from bodies such as ShareAction and Follow This who work to bring investors together to drive influence through investor coalitions and co-filing opportunities.

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 2022 – 2025 across various Fund mandates are set out in the table below:

Manager	2022	2023	2024	2025	Year on year change	% Change 2022-2025
LGIM UK Equity	118.9	85.3	71.3	106.6	49.5%	-10.3%
LGIM North America	140.9	103.2	94.3	91.8	-2.7%	-34.8%
LGIM Europe (ex UK)	112.2	88.3	83.7	89.6	7.0%	-20.1%
LGIM Japan	89.9	83.5	71.3	72.9	2.2%	-18.9%
LGIM Asia	193.6	163.3	154.3	163.4	5.9%	-15.6%
LGIM Emerging Markets	384.5	380.8	375.3	322.4	-14.1%	-16.2%
LGIM Reduced Carbon Pathway	183.3	153.4	153.1	144.0	-5.9%	-21.4%
LPFI Global high Dividend	-	102.6	79.2	80.6	1.8%	-29.1%
LGIM / LPFI Global Low Volatility	462.2	383.5	316.5	327.5	3.5%	-29.1%
Pictet Global Environmental Equity	169.5	150.6	152.1	103.0	-32.3%	-39.2%
SMURV	-	-	101.8	166.7	63.8%	-31.1%
Schroders UK Equity	112.6	90.8	73.1	74.5	1.9%	-33.8%
Total Equities	178.7	148.5	140.9	140.2	-0.5%	-21.5%
Baillie Gifford Investment Grade Bonds	24.7	47.3	50.8	66.7	31.3%	154.6%

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

LGIM 6A Corporate Bonds	31.0	36.8	32.0	28.1	-12.2%	-9.4%
Royal London Sterling Corporate Bond	-	-	-	64.3	-	-
Total Equities and Corp. Bonds	171.0	142.6	137.2	137.6	0.3%	-19.5%
Sovereigns (UK Gilts)	131.7	131.7	123.5	106.1	-14.1%	-19.4%
MSCI ACWI	155.9	122.4	113.8	111.0	-2.5%	-28.8%
MSCI UK	104.6	98.7	80.9	79.8	-1.4%	-23.7%

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. Reporting on WACI depends on data availability and continues to develop as managers increase the percentage of holdings covered. Baillie Gifford Investment Grade Bonds is an example where WACI has increased percentage wise since 2022 however this masks that in 2022 only approximately 60% of their portfolio was covered in WACI reporting whereas 80% is covered in 2025 figures.

The Fund's largest policy group holding is in equities and 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 UK and MSCI ACWI (All Countries World Index) which decreased by 24% and 29% respectively over the same period.

The downwards trend is further delineated by looking at the Fund's 7-year equity numbers (6 year change) versus the MSCI ACWI as follows:

Fund Assets / Benchmark	2019 WACI	2020 WACI	2021 WACI	2022 WACI	2023 WACI	2024 WACI	2025 WACI	6-year change
Falkirk Equities	223	186	182	179	143	141	140	-37.2%
MSCI ACWI (Global Equities)	178	155	151	156	122	114	111	-37.7%

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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. In addition, during 2025/26 the Fund invested in a Royal London Sterling Corporate Bond product which was specifically designed for Falkirk, Lothian and Fife Pension Funds to embed ESG integration enhanced by a customised ESG framework to ensure alignment with sustainability objectives.

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) as included in the table in Commitment 1 above. Overall, this remains challenging to complete fully in view of the number of investments held by the Fund in the private market space.

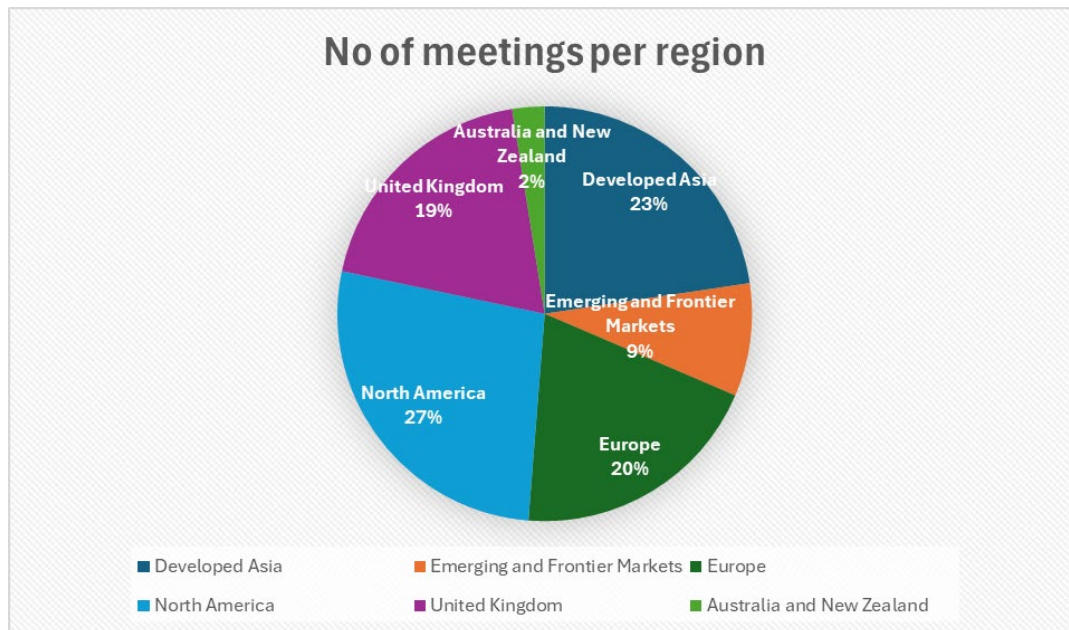
Voting

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 2025/26, Hermes EOS made voting recommendations at 318 meetings (4,983 resolutions). Voting against or abstaining was recommended for 510 resolutions.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

The chart below shows geographical location of the meetings:



Source: Hermes EOS

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

“For” votes included:

- Centrica – approval of climate transition plan
- Mitsubishi – shareholder resolutions on disclosure of financial risk and financial impact from failure to meet 1.5 degree target
- Procter & Gamble – supporting a shareholder resolution requesting additional reporting on plastic packaging

“Against” votes included:

- Centrica – Remuneration report and policy relating to the magnitude of pay increases
- BP – updated bonus structure for 2025 removing specific metrics related to transition growth engines.
- Amazon – against the one director due to concerns with remuneration committee performance as well as concerns relating to management of human and labour rights. Also against “Say on Pay” due to disclosure of stock ownership guidelines including directors but excluding executives.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Hermes EOS share their planned voting in advance and on occasion the Fund will override their voting suggestion. This is implemented where the Fund feels it is appropriate based on information from other sources such as LAPFF or ShareAction and changing the vote is in line with the Fund's SRIP and beliefs. There were no vote overrides in 2025/26.

Litigations

The Fund has over the last few years participated 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 was contended that from 2013, BHP knew that there was a material risk that the dam would collapse and so it was alleged that they breached disclosure obligations and misled the market. The case was being heard in Australia and in late 2025 BHP announced a settlement for all claims. The settlement amount for the Fund is very small however the Fund felt that this was a litigation that was worth supporting as part of our commitment to be a responsible investor and hold companies to account where required.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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:



FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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 kept under review by senior officers throughout the year and is formally reviewed with the Chair and Chair Designate of the Pension Board twice a year. Once reviewed, the register is taken to the Pensions Committee for formal approval. Changes to the current risk register were formally approved at the joint meeting of the Pensions Committee and Pension Board on 31 March 2026.

The Pensions Committee has also approved the use of a Risk Assurance Map (as endorsed by the Chartered Institute of Internal Auditors) to systematically categorise risk controls and to provide reassurance that key risk mitigations are being visited

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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 Plan
- the Fund Risk Management Policy
- 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 2026):

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	Very High
Asset valuations adversely affected by the impact of climate change	Accounting Services Manager - Pensions	• Engagement with investee companies by Fund managers • Fund has dedicated engagement advisers	High

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

		• Members of LAPFF / IIGCC / Climate Action 100+ • ESG Themed mandate in place • Carbon foot-printing exercise • Adoption of Statement of Responsible Investment Principles • Exercising voting rights and supporting climate change resolutions at AGMs e.g. Shell and BP	
Change of voting and engagement provider may cause disruption	Accountancy Services Manager – Pensions Senior Fund Accountant	• Appointment via LGPS National Framework • Involvement in joint procurement • Initial relationship meeting held pre legal completion to allow for change planning • Onboarding and training to follow	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 • Pre Committee/Board training • Access to wide variety of advice • Experienced officers	High
Succession planning inadequate	Chief Finance Officer Pensions Manager Accountancy Services Manager - Pensions	• Delegations to officers and advice from JIF • Council's staff training and development policies • Reduce key person risk through rotation of duties • Staff access to group and web based forums	High

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

		• 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 • Use of Graduate programme to grow future leaders	
Future potential changes to the delivery structure of LGPS	Chief Finance Officer Accountancy Services Manager – Pensions Pensions Manager	• Ready to embrace change as the Fund are supportive of some level of investment & administration consolidation • Collaboration with Lothian & Fife Pension Funds already well established • LGPS Scotland investment discussions at IGG • Engaged with Scottish Government in fact finding on pensions investments • LGPS Scheme Advisory Board (Scotland) updates received and CFO board member • Attendance at annual investment and governance conference where future of structure of Scottish LGPS was discussed	High
Failure to issue all benefit statements by due date	Pensions Manager Pensions Officers	• Fund has regular contact with employers with escalation process in place for those not keeping pace with data submissions	High

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

		• Employer training sessions held as required • Pensions data collected monthly from all employers • Pension administration strategy in development	
Cyber security attack	Chief Finance Officer Pensions Manager	• Cyber credentials of key suppliers checked annually • Heywood annual penetration test report. • 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 and undertake annual computer based cyber security training • Fund managers have different cloud- based portals and are diversified and separation between managers and custodian • Fund/Council Business Continuity Plan • Fund Officer part of Council Cyber Incident Resource Planning Group	High
Inaccurate member data on Altair or incomplete member data due	Pensions Manager	• Monthly online data submissions from employer • Employer training sessions • Year end and monthly queries followed up with employers	High

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

to employer
omissions
(affecting
member benefits
and liability
calculations)

who are made aware of any
themes

- Data cleansing tools available and used
- Data quality audit undertaken
- Data review and improvement plan to be implemented
- Trained staff review of records
- Address tracing undertaken periodically

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.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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 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
Aberdeen Investments	AAF 01/20/ ISAE3402	Reasonable assurance	Johnston Carmichael
Ardian	ISAE 3402	Reasonable assurance	PWC LLP
Ancala/Octopus/IQ-EQ	SSAE18 & ISAE3402	Reasonable assurance	BDO LLP

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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	BDO 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
Iona Capital/Langham Hall	AAF 01/20/ ISAE3402	Reasonable assurance	HaysMac 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

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Macquarie/AlterDomus	ISAE3402	Reasonable assurance	EY LLP
Patria	ISAE3402	Reasonable assurance	BDO LLP
Pictet Asset Management Limited	ISAE3402	Reasonable assurance	PWC LLP
Royal London Asset Management/SS&C	ISAE3402	Reasonable assurance	EY LLP
Schroder Investment Management	AAF 01/20/ ISAE3402	Reasonable assurance	EY LLP
Vauban/Caceis	ISAE3402	Reasonable assurance	PWC LLP
Wilshire/U.S. Bank Global Fund Services	ISAE 3402/ attestation standards established by the American Institute of Certified Public Accountants	Reasonable assurance	EY LLP

In addition to the controls reports from fund managers, the Fund receives a SOC 2 report from the Custodian, Northern Trust.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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 24 September 2026.

Lorna Binnie

Councillor Lorna Binnie
Chair of the Pensions Committee

24 September 2026

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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 2026 and the transactions of the Pension Fund for year ended 31 March 2026.

Amanda Templeman

Amanda Templeman, CPFA

Chief Finance Officer (Falkirk Council)

24 September 2026

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual report of Falkirk Council Pension Fund (the fund) for the year ended 31 March 2026 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Pension Fund Account, the Pension Fund Net Asset Statement and notes to the financial statements, including a summary of material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the 2025/26 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the financial transactions of the fund during the year ended 31 March 2026 and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2025/26 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 3 April 2023. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the fund in accordance with the ethical requirements that are relevant

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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

to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard was not provided to the council as administering authority for the fund. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

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

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

Risks of material misstatement

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

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

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

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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

- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

Reporting on other requirements

Other information

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

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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

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

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

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

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

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

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

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

Pauline Gillen

Pauline Gillen

Audit Director

Audit Scotland

The Athenaeum Building

8 Nelson Mandela Place

Glasgow

G2 1BT

24 September 2026

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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	2024/25 in '000	2025/26 in '000	Note
Contributions	(107,301)	(110,252)	7
Transfers in from other pension funds	(12,748)	(12,250)	8
	(120,049)	(122,502)	
Benefits	117,736	122,014	9
Payments to and on account of leavers	20,132	9,220	10
	137,868	131,234	
Net (additions)/withdrawals from dealings with members	17,819	8,732	
Management expenses	16,820	16,042	11
Net (additions)/withdrawals including fund management expenses	34,639	24,774	
Return on Investment			
Investment income	(99,730)	(120,919)	12
Taxes on income	3,528	2,672	
Profit and losses on disposal of investments and changes in market value of investments	(50,049)	(283,005)	14a
Net return on investments	(146,251)	(401,252)	
Net (increase)/decrease in the net assets available for benefits during the year	(111,612)	(376,478)	
Opening net assets of the scheme	3,444,821	3,556,433	
Closing net assets of the scheme	3,556,433	3,932,911	

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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.

	2024/25 in '000	2025/26 in '000	Note
Investment assets	3,540,639	3,920,642	14
Investment liabilities	(1,938)	(3,352)	14
Total net investments	3,538,701	3,917,290	
Long-term assets	17	-	20a
Current assets	21,742	18,115	20
Current liabilities	(4,027)	(2,494)	21
Net Assets of the fund available to fund benefits at the period end	3,556,433	3,932,911	

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 19.

The unaudited Statement of Accounts was issued by the Chief Finance Officer on 22 June 2026. The audited Statement of Accounts was authorised for issue on 24 September 2026. The Statements of Accounts present a true and fair view of the financial position of the Pension Fund as at 31 March 2026 and its income and expenditure for the year ended 31 March 2026.

Amanda Templeman

Amanda Templeman, CPFA
Chief Finance Officer (Falkirk Council)

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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 (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 17 other employers. Teachers (who are also local authority employees) do not come under 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.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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 48 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 revalued earnings 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 1/80 th x final pensionable salary	Each year worked is worth 1/60 th x final pensionable salary	Each year worked is worth 1/49 th of pensionable earnings
Lump Sum	Automatic lump sum of 3 x annual pension	No automatic lump sum	No automatic lump sum

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

	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.	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.	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 date is 31 March 2026 with results expected in early 2027.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2025/26 financial year and its position at year end as at 31 March 2026.

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The 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 2026/27 Code are:

- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)
- Annual improvements to IFRS accounting standards – Volume 11
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)

None of the matters covered above are expected to have a 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 19.

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 12 months from the approval of these financial statements at 24 September 2026.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

- 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. To ensure these payments are not regarded as Scheme benefits or 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

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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 associated with 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

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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 15).

h) Freehold and leasehold properties

The Fund’s directly owned property was valued at 31 March 2026 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 15 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) 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.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

k) 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.

l) 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 19).

m) 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 22.

n) 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 24).

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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 19.

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 19)	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	For instance: -a 0.1% p.a. increase in the pension increase rate would increase liabilities by £36m -a 0.1% increase in salary increase rate would increase liabilities by £3m

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

	actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	-0.1% decrease in the real discount rate would increase future liabilities by £39m - 1 year increase in member life expectancy would increase liabilities by £91m.
Directly held property (Note 15)	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 15% i.e. an increase or decrease of £405k on carrying values of £2.7m.
Private Equity Infrastructure/Private Debt (Note 15)	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 £556m in the financial statements. There is a risk that this investment may be under- or overstated in the accounts between 10.5% up to 24% depending on asset class, i.e. an increase or decrease of £67m.

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

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

- 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 2026 after preparing the accounts. The variance between the valuation included in the accounts and the updated statements amounts to £2.3m (£2.9m at 31 March 2025). The amount is not material and therefore no adjustment has been made in the Net Asset Statement.

7. Contributions Receivable

By Category	2024/25	2025/26
	£'000	£'000
Employees' contributions	24,929	26,226
Employers' contributions	82,320	83,972
Employers' deficit recovery contributions	52	54
Total	107,301	110,252

By type of Employer	2024/25	2025/26
	£'000	£'000
Administering authority	40,310	42,017
Other scheduled bodies	62,767	63,992
Admitted bodies	4,224	4,243
Total	107,301	110,252

8. Transfers from Other Pension Funds

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

	2024/25	2025/26
	£'000	£'000
Individual transfers	12,748	12,250

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

9. Benefits Payable

By Category	2024/25	2025/26
	£'000	£'000
Pensions	87,780	93,139
Commutation and lump sum retirement benefits	26,749	25,359
Lump sum death benefits	3,207	3,516
Total	117,736	122,014

By type of Employer	2024/25	2025/26
	£'000	£'000
Administering authority	42,324	45,236
Other scheduled bodies	68,893	69,562
Admitted bodies	6,519	7,216
Total	117,736	122,014

10. Payments to and on Account of Leavers

By Category	2024/25	2025/26
	£'000	£'000
Refunds to members leaving service	229	194
Individual transfers	3,685	9,026
Bulk transfers	16,218	-
Total	20,132	9,220

11. Management Expenses

By Category	2024/25	2025/26
	£'000	£'000
Administrative costs	1,311	1,470
Investment management expenses	14,362	13,237
Oversight and governance costs	1,147	1,335
Total	16,820	16,042

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

11a. Investment Management Expenses

2025/26	Total	Management fees*	Performance related fees	Transaction costs
	£'000	£'000	£'000	£'000
Bonds	176	176	-	-
Equities	2,517	1,646	-	871
Pooled Investments	1,824	1,592	-	232
Managed Property Funds	2,210	2,065	49	96
Private Equity	206	99	107	-
Infrastructure	5,406	4,314	1,084	8
Private Debt	716	676	40	-
		10,568	1,280	1,207
Custodian Fees	178			
Other	4			
	13,237			

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

2024/25	Total	Management fees*	Performance related fees	Transaction costs
	£'000	£'000	£'000	£'000
Bonds	157	157	-	-
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			

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

* 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 2025/26 is £0.5m (£1.2m including £0.3m Private Equity fees in 2024/25). The fees disclosed in 2025/26 include only Infrastructure Fund of Funds, as most of Private Equity funds are now in liquidation with statements released only annually and therefore data is not easily available.

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	2024/25	2025/26
	£'000	£'000
Income from equities	54,411	62,160
Private equity income	276	73
Income from bonds	2,690	6,505
Pooled property investments	5,810	5,193
Directly owned property	234	228
Infrastructure	20,048	30,290
Private debt	6,587	4,674
Affordable housing	257	222
Cash and other income	9,417	11,574
Total before tax	99,730	120,919

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

13. Other Fund Account Disclosures

13a. External Audit Costs

	2024/25	2025/26
	£'000	£'000
Payable in respect of external audit	32	33

14. Investments

Investment Assets	2024/25	2025/26
	£'000	£'000
Bonds	538,518	566,097
Equities	1,361,337	1,452,675
Pooled investments		
Equities	540,113	636,751
Fixed income	56,480	199,763
Affordable housing	25,302	25,053
Other Investments		
Managed property funds	162,198	160,573
Directly owned property	2,700	2,700
Private equity	12,146	9,114
Infrastructure	517,144	497,623
Private debt	60,962	48,967
Cash deposits	249,653	304,266
Investment income due	14,086	17,060
Amounts receivable for sales	-	-
Total Investments Assets	3,540,639	3,920,642
Investments Liabilities		
Amounts payable for purchases	(1,938)	(3,352)
Total Investment Liabilities	(1,938)	(3,352)
Net Investment Assets	3,538,701	3,917,290

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

14a. Reconciliation of Movements in Investments and Derivatives

Period	Market value 01/04/2025	Purchases at cost	Sales proceeds	Change in market value	Market value 31/03/2026
	£'000	£'000	£'000	£'000	£'000
Investment Assets					
Bonds	538,518	67,731	(43,630)	3,478	566,097
Equities	1,361,337	261,002	(356,300)	186,636	1,452,675
Pooled investments	621,895	140,000	(1,589)	101,261	861,567
Managed property funds	162,198	648	(4,424)	2,151	160,573
Directly owned property	2,700	-	-	-	2,700
Private equity	12,146	164	(2,807)	(389)	9,114
Infrastructure	517,144	11,700	(21,459)	(9,762)	497,623
Private debt	60,962	4,986	(16,868)	(113)	48,967
	3,276,900	486,231	(447,077)	283,262	3,599,316
Cash deposits	249,653	1,734	-	(257)	304,266
Amounts receivable for sale	-				-
Investment income due	14,086				17,060
Payable for purchases	(1,938)				(3,352)
Net investment assets	3,538,701			283,005	3,917,290

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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)	51,098	3,276,900
Cash deposits	94,144	1,419	(352)	(1,049)	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			50,049	3,538,701

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

14b. Investments Analysed by Fund Manager

	2024/25	2024/25	2025/26	2025/26
	£'000	%	£'000	%
LPFI Ltd	1,445,245	40.9	1,581,028	40.5
L&G Investment Management Ltd	428,851	12.1	626,782	16.0
Schroder Investment Management Ltd	539,673	15.3	534,091	13.6
Pictet Asset Management	169,214	4.8	185,325	4.7
Dalmore Capital	139,436	3.9	152,525	3.9
Equitix Investment Management	78,056	2.2	73,264	1.9
Innisfree	56,799	1.6	51,245	1.3
Blackrock	29,588	0.8	45,624	1.2
Royal London Asset Management	-	-	40,753	1.0
Baillie Gifford & Co Ltd	38,536	1.1	40,200	1.0
Grosvenor Capital	37,863	1.1	33,386	0.9
Hearthstone	25,302	0.7	25,053	0.6
Vauban	23,051	0.7	23,822	0.6
CVC Credit Partners	21,278	0.6	19,081	0.5
Astatine Investment Partners	21,573	0.6	19,071	0.5
Meridiam Infrastructure North America Corporation	25,557	0.7	17,706	0.5
Ancala Partners	18,289	0.5	17,156	0.4
Iona Renewables	16,411	0.5	16,027	0.4
Brookfield Infrastructure Group	13,252	0.4	13,281	0.3
Gresham House	12,847	0.4	12,026	0.3
Macquarie	11,124	0.3	11,244	0.3
The Unite Group	10,221	0.3	9,951	0.3
Barings	12,881	0.4	9,573	0.2
Greensphere	10,322	0.3	9,494	0.2
Aberdeen Investment Management	8,741	0.2	8,799	0.2
Benefit Street Partners	11,086	0.3	8,718	0.2
Wilshire Private Markets Group	11,214	0.3	8,532	0.2
Octopus Real Estate	7,799	0.2	7,952	0.2
InfraRed Capital Partners Ltd	6,906	0.2	7,586	0.2
Apogem Capital	10,222	0.3	7,403	0.2

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Ardian	6,047	0.2	6,433	0.2
Resonance Wind	5,373	0.2	4,251	0.1
Bridges Fund Management Ltd	5,259	0.1	4,335	0.1
KKR	5,088	0.1	4,298	0.1
Harbert Management Corporation	1,808	0.1	1,785	0.1
InfraCapital Partners	3,456	0.1	768	-
Patria	932	-	582	-
Directly Owned Property	2,700	-	2,700	0.1
Hermes Investment Management	14,462	0.4	-	-
Global Infrastructure Partners	18,195	0.5	-	-
In-House Cash	234,045	6.6	275,440	7.0
Total	3,538,702	100	3,917,290	100

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

	2024/25	2024/25	2025/26	2025/26
	£'000	%	£'000	%
L&G RAFI Fundamental Global Reduced Carbon Pathway Eqy Idx	183,601	5.19	227,853	5.82

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:

	2024/25	2025/26
	£'000	£'000
Within one year	212	203
Between one and five years	560	470
Later than five years	216	181
Total	988	854

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

15. 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

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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 these financial instruments	Not required	Not required
Level 2			
Bonds (Gilts)	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	• Existing lease Terms • Nature of tenancies • Covenant strength • Vacancy levels	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

	effect from 31 January 2020)	• Estimated rental growth • Discount rate	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 2026.

	Assessed valuation range (+/-)	Value at 31 March 2026	Potential change (+/-)	Value on increase	Value on decrease
	%	£'000	£'000	£'000	£'000
Infrastructure	12.0	497,623	59,715	557,338	437,908
Private debt	10.5	48,967	5,142	54,109	43,825
Private equity	24.0	9,114	2,187	11,301	6,927
Affordable housing	15.0	25,053	3,758	28,811	21,295
Directly held property	15.0	2,700	405	3,105	2,295
		583,457	71,207	654,664	512,250

15a. Fair Value Hierarchy

The following table provides an analysis of the assets and liabilities of the

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

	Quoted market prices	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2026	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial assets at fair value through profit and loss				
Bonds		566,097		566,097
Equities	1,452,675			1,452,675
Pooled Investments		836,514	25,053	861,567
Managed Property Funds		156,238	4,335	160,573
Private Equity			9,114	9,114
Infrastructure			497,623	497,623
Private Debt			48,967	48,967
Cash deposits	304,266			304,266
Investment income due	17,060			17,060
Amounts receivable from sale	-			-
Net investments assets	1,774,001	1,558,849	585,092	3,917,942
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	(3,352)			(3,352)
Total	1,770,649	1,558,849	587,792	3,917,290

15b. Reconciliation of fair value measurements within Level 3

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

	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 2025	517,144	60,962	12,146	25,302	2,700	618,254
Purchases	11,699	4,987	164	-	-	16,850
Sales	(21,459)	(16,868)	(2,807)	(765)	-	(41,899)
Unrealised gains and losses*	(22,982)	(738)	(1,900)	516	-	(25,104)
Realised gains and losses*	13,221	624	1,511	-	-	15,356
Value at 31 March 2026	497,623	48,967	9,114	25,053	2,700	583,457

* 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 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

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

16. 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.

	2024/25			2025/26		
	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	538,518			566,097		
Equities	1,361,337			1,452,675		
Pooled Investments	621,895			861,567		
Managed Property Funds	162,198			160,573		
Private Equity	12,146			9,114		
Infrastructure	517,144			497,623		
Private Debt	60,962			48,967		
Cash		249,653			304,266	
Other investment balances		14,086			17,060	
Debtors		21,759			18,115	
	3,274,200	285,498	-	3,596,616	339,441	-
Financial Liabilities						
Other investment balances			(1,938)			(3,352)
Creditors			(4,027)			(2,494)
	3,274,200	285,498	(5,965)	3,596,616	339,441	(5,846)
Total		3,553,733			3,930,211	
Amounts not classified as financial instruments		2,700				2,700
Total Net Assets		3,556,433			3,932,911	

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

17. 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

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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 2026 is estimated to be around £1,076m (31 March 2025: £849m).

(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 2026 is estimated to be around £1,062m (31 March 2025: £1,055m).

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

(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 2026 accounted for 7.9% of Fund assets (31 March 2025: 7.3%).

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 31/03/2025 £'000	Moody's Credit Rating	Balances 31/03/2026 £'000
Northern Trust Global Investment Limited – Liquidity Funds	240,805	P-1	297,614
Aberdeen Standard Liquidity Fund (Lux) Sterling	5,000	AAA-mf	5,000
Northern Trust Company – Cash Deposits	1,957	P-1	1,652
Santander UK PLC	1,891		-
Total investment cash	249,653		304,266

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Held for other purposes			
Royal Bank of Scotland	11,739	A1	8,227
Total cash	261,392		312,493

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 81%) 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.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Asset type	Potential price movement (+ or -)
Equities - Developed Markets	19.0%
Equities – Emerging Markets	26.0%
Private Equity	24.0%
Private Debt	10.5%
Property	15.0%
Infrastructure	12.0%
Corporate Bonds	8.9%
Fixed Interest Gilts	13.6%
Index-Linked Gilts	12.3%
Overseas bonds	8.9%
Cash	2.0%

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 a portfolio of government bonds (which is the basis of a liability comparator). The comparator uses an overall portfolio of: 50% Fixed interest government

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

bond assumptions (Over 15-year index) and 50% Index-linked government bond assumptions (Over 5-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
- larger cash balances as at the accounting year-end
- and a partial de-risking of the Fund's credit exposure.

At a total Fund level, the decline from last year in the volatility metric allowing for both asset and liability correlation is slightly less pronounced than the change in the "uncorrelated" volatility metric. This is due to an increase in the absolute measure of fixed interest gilt yield volatility – on which the Fund's liability comparator is partially based. The "including asset correlations" volatility metrics has seen the smallest marginal decrease, which reflects a slight decrease in overall diversification as a result of a restructure of the Fund's bond exposures. The Fund continues to remain diversified both within and across asset classes.

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 table on the next page shows the risks at the asset class level and the overall Fund level.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Position as at 31 March 2026

Asset type	Asset value £'m	Asset weight	Volatility	Potential change +/- in £'m	Value on increase £'m	Value on decrease £'m
Equities - Developed Markets	2,008.5	51.3%	19.0%	381.6	2,390.1	1,626.9
Equities – Emerging Markets	88.6	2.3%	26.0%	23.0	111.6	65.6
Private Equity	9.1	0.2%	24.0%	2.2	11.3	6.9
Private Debt	49.0	1.3%	10.5%	5.1	54.1	43.9
Property – Balanced	188.4	4.8%	15.0%	28.3	216.7	160.1
Infrastructure	497.6	12.7%	12.0%	59.7	557.3	437.9
Corporate Bonds	76.1	1.9%	8.9%	6.8	82.9	69.3
Fixed Interest Gilts	193.8	4.9%	13.6%	26.3	220.1	167.5
Index-Linked Gilts	476.4	12.2%	12.3%	58.6	535.0	417.8
Overseas bonds	19.5	0.5%	8.9%	1.7	21.2	17.8
Cash	310.3	7.9%	2.0%	6.1	316.4	304.2
Uncorrelated	3,917.3	100.0%	15.3%	599.4	4,516.7	3,317.9
Including asset correlations	3,917.3		11.8%	462.9	4,380.2	3,454.4
Including asset & liability correlations	3,917.3		12.6%	493.6	4,410.9	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

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

The corresponding details as at 31 March 2025 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	1,817.9	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

18. 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

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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 £866m (there was a deficit of £152m at the 31 March 2020 valuation). New employer contribution rates were 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 these rates have not changed 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

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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 below 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%

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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 2025/26. 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)

19. 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 18). The actuary has also valued ill health and death benefits in line with IAS19.

	2024/25	2025/26
Present value of promised retirement benefits £m	(2,530)	(2,642)
Fair value of scheme assets (bid value) £m	3,556	3,929
Net (liability)/ asset £m	1,026	1,287

The net asset is estimated to have increased by £261m to £1,287m at 31 March 2026, as a result of the fair value of scheme assets increasing at a faster rate than the estimated liabilities. This change in liabilities is a mixture of a number of factors including a reduction in liabilities due to the increase in discount rate adopted by the actuary for 2025/26 IAS26 assessments tempered by a slight improvement in mortality rates.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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 18) because IAS19 stipulates a discount rate rather than a rate which reflects market rates. Key assumptions used are as follow:

IAS 19 Assumptions	2024/25	2025/26
Discount rate	5.80%	6.10%
Salary increase rate	3.25%	3.40%
Pension increase rate	2.75%	2.90%

20. Current Assets

	2024/25	2025/26
Short term debtors	£'000	£'000
Contributions due – employees	2,040	2,163
Contributions due – employers	6,369	6,715
Strain contribution (due within 1 year)	1,162	495
Sundry debtors	20	60
Prepayments	412	455
Total	10,003	9,888
Cash balances	11,739	8,227
Current assets	21,742	18,115

20a. Long-term debtors

	2024/25	2025/26
	£'000	£'000
Strain on fund contributions due in over 1 year	17	-

21. Current Liabilities

	2024/25	2025/26
	£'000	£'000
Benefits payable	(2,379)	(755)
Transfer values payable (leavers)	(95)	(153)
Sundry creditors	(1,426)	(1,241)

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Falkirk Council	(127)	(345)
Total	(4,027)	(2,494)

22. Additional Voluntary Contributions

	2024/25	2025/26
	£'000	£'000
Standard Life	3,935	5,107
Prudential	11,022	14,253
Total	14,957	19,360

AVC contributions of £1,157k were paid directly to Standard Life (£1,112k in 2024/25) and £2,236k to Prudential (£3,489k in 2024/25).

23. 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 £32.5m to the Fund in 2025/26 (£31.3m in 2024/25).

The Fund uses Council premises and systems, and these costs are charged to the Fund. In 2025/26 the Fund incurred a charge of £120k in respect of these costs (£120k in 2024/25). 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 2026 the Pension Fund owed the Council £345k (£127k in 2024/25) in respect of invoices processed in 2025-26 but settled in 2026-27.

Governance

In addition to the Pensioner Representative on the Pensions Committee, one further member of the Pensions Committee - J Flynn is in receipt of LGPS benefits from the Fund. All remaining Committee members are active members of the Fund.

All members of the Pension Board are active members.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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

23a. Key Management Personnel

The key management personnel of the Fund are the Section 95 Officer, the Pensions Manager and Accountancy Services Manager - Pensions. The Fund's proportion of total remuneration payable to key management personnel is set out below.

	2024/25	2025/26
	£'000	£'000
Short term-benefits	110	190
Post-employment benefits	156	186
Total	266	376

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.

24. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2026 totalled £50m (31 March 2025 £53m).

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 2026 the Fund has no exposure to a contingent liability (no liability as of 31 March 2025) 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.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Annual Governance Statement 2025/26

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 26 June 2024. 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.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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 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 Scottish funds. System upgrades 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

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

and are checked monthly. Further oversight is provided by the 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 the 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.

Members of the Pensions Committee and Pension Board are required to adhere to the Council's 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 31 March 2026 Pensions Committee. The Fund also maintains a risk register which was also reviewed, updated and approved at the 31 March 2026 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:

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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. £3.9bn) 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 2025/26 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,

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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 section, including annual self-assessment and periodic (5 yearly) external assessment of compliance with the Public Sector Internal Audit Standards (these were replaced in April 2025 by the Global internal Audit Standards). The five yearly independent, external validation is part of a national review process established by the Scottish Local Authorities Chief Internal Auditors' Group.

A detailed self-assessment against the Standards was undertaken during 2025. This confirmed continuing compliance with the Standards. The most recent external assessment commenced in 2024 and assessed compliance with the Public Sector Internal Audit Standards as these were in place at that time, covering fourteen areas of compliance. The review was undertaken by the Chief Internal Auditor at Fife Council and finalised in April 2026. It concluded that Falkirk Council's Internal Audit section fully conforms with eleven areas (internal audit activity fully complies with all aspects) and generally conforms with three areas (internal audit activity has the relevant structures, policies, and procedures in place and these are applied in practice in all material respects, with minor areas of improvement potentially identified). There were no areas where the section partially conformed or did not conform.

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

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

management. During 2025/26, there were no matters of significance which required to be brought to the attention of the Committee and Board.

Audit Findings and Recommendations

During 2025/26, Internal Audit undertook transactional testing and review of the Pension Fund's operational cash management arrangements.

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

Item	Responsible Person	Committee Approval Required	Completion Status
1 When completing or checking calculations, officers should print their names alongside their initials.	Pensions Manager	No	Complete
2 The Pensions Team should implement process notes governing their work.	Pensions Manager and Pensions Officer (Project & Systems Lead)	No	Due 31/03/2027
3 The Cash Management Policy should be updated to clearly reflect the Fund's current cash flow position.	Accountancy Services Manager – Pensions & Senior Accountant	Yes	Due 30/06/2027

The findings have been reported to the Chief Finance Officer and the Director of Transformation, Communities and Corporate Services. The report which included detailed agreed management actions to address recommendations was presented to the Pensions Committee and Pension Board in June 2026.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

All 2024/25 recommendations were implemented before the agreed deadlines with those items requiring notification to the Committee and Board appearing in the relevant Committee reports (November 25 and March 26 Risk Review, March 26 Governance and June 26 Business Plan). The completion of the updating of the Pension Fund website was not reported to the Committee and Board because this is delegated admin.

Service Delivery

The hybrid working style is now well embedded for all processes and practices for the authorisation of payments and documents, allowing the Fund to provide 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 navigate the volatile markets amid the ongoing geopolitical tensions over the last year and has benefited from its approach to diversifying its assets and this has seen the asset value at 31 March 2026 increase to £3.9bn from £3.6bn at 31 March 2025.

The Fund remains in a healthy position and although it is now in a slight negative cashflow position as a result of Fund maturity with there being more deferred and pensioners than active members. The Fund is under no pressure to sell assets to cover any shortfall due to its cash holdings and because 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 2026 showed a funding level of 132% under the revised methodology of the new actuary Barnett Waddingham. This compares to an estimated 165% if the previous actuarial methodology had continued to be applied. By either estimation the Fund continues to be in a strong funding position.

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.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Oversight

During 2025/26 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 2026/27, 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 2025/26 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 2025/26 for the Pension Fund.

Lorna Binnie

Councillor Lorna Binnie
Chair of the Pensions Committee

24 September 2026

Kenneth Lawrie

Kenneth Lawrie
Chief Executive Falkirk Council

24 September 2026

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

		Pensioners are represented by a pensioner member who sits on the Committee.
Where appropriate, independent professional observers; and	Compliant (An independent observer is not deemed as being required)	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	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

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

the decision making process,
with or without voting rights.

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 voting rights is clear and transparent, including the justification for not extending voting rights to each body or	Full Compliance	All members of the Pensions Committee including co-opted members will have voting rights on the basis that they have executive responsibility for pension fund decision making.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

group represented on main
LGPS committees.

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	Full Compliance	The Training Policy for the Pensions Committee and Pensions Board includes the requirement for members to undergo training needs analysis

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

maintains a log of all such training undertaken.

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.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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 of their governance arrangements.	Full Compliance	The agendas for Pensions Committee / Board meetings include reports pertaining to 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	Full Compliance	Through their representation on the Committee and Board, employers, members and pensioners have been involved

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.

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 – 31 March 2026

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Appendix 1

Actuarial Statement for 2025/26

Introduction

The last full triennial valuation of the Falkirk Council Pension Fund (the Fund) was carried out as at 31 March 2023 as required by Regulation 60 of the Local Government Pension Scheme (Scotland) Regulations 2014 and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report signed off in March 2024.

This is version 2 of the actuary's statement superseding the previous version. We have revised the statement to add detail around the estimated funding level as at 31 March 2026.

Asset value and funding level

The results for the Fund at 31 March 2023 were as follows:

- The unsmoothed value of the Fund's assets for funding purposes as at 31 March 2023 was £3.195bn.
- The Fund had a funding level of 137% i.e. the value of assets for funding purposes was 137% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a surplus of £866m.

Contribution rates

The employer contribution rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- the annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due;
- plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

The primary rate of contribution on a whole Fund level was 21.0% of payroll p.a. The primary rate as defined by Regulation 60 is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2024. Each employer body participating in the Fund has to pay a contribution rate consisting of the employer's individual primary rate and a secondary rate reflecting the employer's particular circumstances and funding position within the Fund.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Details of each employer's contribution rate are contained in the Rates and Adjustments Certificate in the triennial valuation report.

Assumptions

The key assumptions used to value the liabilities at 31 March 2023 are summarised below:

Assumptions	Assumptions used for the 2023 valuation
Financial assumptions	
Market date	31 March 2023
CPI inflation	2.3% p.a.
Long-term salary increases	2.8% p.a. (plus promotional scale)
Discount rate	5.1% p.a
Demographic assumptions	
Post-retirement mortality	
Base tables	ClubVita curves based on member-level lifestyle factors
Projection model	CMI 2022
Long-term rate of improvement	1.50% p.a.
Smoothing parameter	7.0
Initial addition to improvements	0.25% p.a.
2020/21 weighting parameter	0%
2022 weighting parameter	25%

Full details of the demographic and other assumptions adopted as well as details of the derivation of the financial assumptions used can be found in the 2023 valuation report.

Progress since the 2023 valuation

Assets

Returns over the year to 31 March 2026 have been higher than expected. As at 31 March 2026, in market value terms, the Fund assets were more than they were projected to be based on the previous actuarial valuation.

Liabilities

The value of liabilities has overall decreased, caused mainly by the discount rate increasing significantly since the 2023 valuation.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Overall position

The estimated funding position on the actuarial basis currently in force is estimated to be 165% and has therefore improved since the last valuation. However, the 2026 valuation of the Fund is now underway, and the results will not be finalised until 31 March 2027.

Our indication is that the funding level will drop as at the 31 March 2026 valuation. The results on the basis currently in force (the Hymans Robertson basis) will differ substantially from the actual funding position as at 31 March 2026 due to the different nature of the Barnett Waddingham funding model which will be used for the 2026 valuation.

The 2026 valuation of the Fund will set revised contributions for all employers due over the period from 1 April 2027 to 31 March 2030.



Hagen Eichel FFA
Senior Consulting Actuary,
Barnett Waddingham LLP

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Appendix 2

Scheduled and Admission Bodies as at 31 March 2026

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)
Scottish Police Authority
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	Stoneweg (formerly 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

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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.

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

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/resources/risk-management-policy-1/>

Governance Policy

<https://www.falkirkpensionfund.org/resources/governance-policy-and-compliance-statement-3/>

Communication Policy

<https://www.falkirkpensionfund.org/resources/communications-policy/>

Privacy Notice

<https://falkirkpensionfund.org/resources/pensions-privacy-notice-2/>

Published Committee Reports

<https://coins.falkirk.gov.uk/DocumentSearchPublic.asp>

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

Appendix 4

Glossary

Term	Explanation
Actuarial Assumptions	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of liabilities. The main assumptions will relate to the discount rate, salary growth, pension increases and longevity. More prudent assumptions will give a higher liability value, whereas more optimistic assumptions will give a lower value.
Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund's trustees.
Admission Bodies	Employers which voluntarily participate in the Fund, so that their employees and ex-employees are members. There will be an Admission Agreement setting out the employer's obligations.
Assurance Reporting Standards (AAF 01/20/ ISAE3402; SOC 1/2)	An independent assurance statement on a service provider's internal controls. An external auditor — the Service Auditor — assesses whether these controls are suitably designed (Type I) and, for a Type II report, whether they have operated effectively over a period of at least six months.
Deficit	The shortfall between the assets value and the liabilities value. This relates to assets and liabilities built up to date and ignores the future build-up of pension (which in effect is assumed to be met by future contributions).
Discount rate	An assumption for the annual rate of future investment return. Used to place a single 'today's money' value on a stream of future payments.
Funding position	The extent to which the assets held by the Fund at 31 March cover the accrued benefits ie the liabilities. The two measures of the funding position are: a) the funding level - the ratio of assets to liabilities; and b) the funding surplus/deficit - the difference between the asset and liabilities values.
Gilt	A UK Government bond, i.e. a promise by the Government to pay interest and capital as per the terms of that particular gilt,

FALKIRK COUNCIL PENSION FUND AUDITED ANNUAL REPORT AND ACCOUNTS 2025/26

	in return for an initial payment of capital by the purchaser. Gilts can be “fixed interest”, where the interest payments are level throughout the gilt’s term, or “index linked” where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but their main use in funding is as an objective measure of solvency.
Liabilities	An employer’s liability value is the single value at a given point in time of all the benefit payments expected to be made in future to all members. Benefit payments are projected using demographic and financial assumptions and the liability is calculated using a discount rate.
Primary rate	The estimated cost of future benefits, expressed in percentage of pay terms. The primary rate will include an allowance to cover the Fund’s expenses.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc., other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
Secondary rate	An adjustment to the primary rate, generally to reflect costs associated with benefits that have already been earned up to the valuation date. This may be expressed as a percentage of pay and/or monetary amount.