

*Annual Report and Statement
of Accounts 2015-16*

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Introduction

This Annual Report and Statement of Accounts sets out the arrangements by which the Local Government Pension Scheme operates, reports changes which have taken place, and reviews the investment activity and performance of the Northamptonshire Local Government Pension Scheme ("Fund") during the year.

The Statement of Accounts has been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom 2015/16.

The accounts summarise the transactions of the Scheme and deal with the net assets at the disposal of the Pensions Committee members. The accounts do not take account of the obligation to pay future benefits which fall due after year end. The actuarial position of the Scheme which takes into account these obligations is available on the Northamptonshire County Council website, <http://northamptonshire.gov.uk>.



Mr M Bowmer

Director of Finance
(Section 151 Officer)

Dated 26 September 2016

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Finance (Section 151 Officer);
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Director of Finance Responsibilities

The Director of Finance is responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom (the Code)*.

In preparing this statement of accounts, the Director of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent; and
- complied with the Local Authority Code.

The Director of Finance (Section 151 Officer) has also:

- kept proper accounting records which are up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of Accounts

I certify that this Statement of Accounts presents a true and fair view of the financial position of the Pension Fund at 31 March 2016 and of its income and expenditure for the year 2015-16, and authorise the accounts for issue.



Mr M Bowmer

Director of Finance
(Section 151 Officer)

Dated 26th September 2016

Chairman's Foreword

It is my honour and privilege to be Chairman of the Pensions Committee and my pleasure to introduce the Northamptonshire Pension Fund Annual Report and Statement of Accounts for 2015-16, which has been an interesting and almost exciting year!

The year has presented many challenges, from the successful implementation and running of the Local Pension Boards, through the ongoing work surrounding the Government Reform Agenda, the instrumental role both the Committee and Officers are playing in the vast scope involved in the design and shape of the ACCESS asset pool of eleven counties to the 2016 valuation which is well underway with key training undertaken and project plans designed and, to date, delivered. In addition, the reconciliation on the Guaranteed Minimum Pension data held by HMRC and the LGSS Pensions systems has been making good progress and this has contributed to the data cleansing required for the move to Altair Payroll for pensions, which is due to be implemented in September 2016 after a three-month parallel running period.

Despite a number of officer roles remaining unfilled during the year, and the inevitable additional strain on the service this has caused at a time when the pressures above applied, I am pleased that a high level of administration service has been maintained and offer my thanks to all the hard-working staff who have kept the standard high in governance, finance, administration, and investment departments.

There has been a steady growth in the number of members in the Scheme. Active membership has increased from 19,407 in 2015 to 20,140 in 2016, deferred membership has increased from 23,377 in 2015 to 25,383 and pensioner numbers have increased from 14,421 in 2015 to 14,865 in 2016, giving a total membership at 31 March, 2016 of 60,388. This equates to a total membership increase of 5.6%. There has also been a steady increase in the number of employers in the Fund. At 31st March, 2016, the Northamptonshire Pension Fund had 263 active employers; an increase of 46 in the reporting period.

At 31st March, 2016, the Fund was valued at £1.87bn, which is an increase in Fund value of £6m from March 2015, equating to a 0.32% increase in asset value.

The Northamptonshire Pension Fund delivered a return of 0.2% for the fiscal year, slightly under-performing the Fund's benchmark return (0.6%) but consistent with the average Local Authority Pension Fund (0.2%).

Over the year, the funding level for the Fund has decreased from 70.4% to 67.7%. This is due to the value of liabilities increasing faster than the increase in the value of the assets; something outside the Fund's control as the valuation of liabilities are dependent upon gilt yields. The Fund obtains quarterly updates on the funding level with a formal valuation being carried out triennially. The triennial valuation as at 31 March 2016 is underway and the results will be available in March 2017, however, early indications are that the valuation may prove positive for the Fund.

Driven by the funding level, the Fund's investment strategy remains focused on growth assets which are expected to earn higher returns than lower risk investments, over the longer term, with the Fund's funding level planned to recover over a 20 year period.

Since 2010, Northamptonshire and Cambridgeshire County Councils have operated under a partnership, LGSS, to provide pensions administration and we are delighted to have been able to sign a Service Level Agreement with LGSS. This has and continues to deliver savings to both Funds through efficient converged processes, sharing of resources, joint working, and economies of scale, which we would be delighted to extend to any other fund looking to join us.

Despite a challenging year, it has been a successful year for the Fund due to the hard work invested by the members of the Pensions and Investment Sub Committees, the Local Pension Board, the guidance of the Director of Finance and the support, dedication, and expertise of all the staff, under the leadership of the Head of Pensions, involved in the administration, finance, governance, and investment management of the Fund. In particular, I want to commend the staff involved in the creation of the Access Asset Pool, something not done before has been progressed through hard work, great commitment, and a steady hand on the tiller in what could have been choppy waters, trying to blend the demands of eleven county councils and their officers and Chairmen.

We also have excellent investment and actuarial advisers, who have added their considerable knowledge and skills. I would like to thank them for their efforts and for all they have done to ensure that we provide excellent retirement benefits for all Members of the scheme. Members of the public are always welcome to attend Pensions Committee meetings to see for themselves the level of work undertaken to maintain the Fund.

I am confident that this dedication will continue into 2016-17 and beyond, when we will be faced with evolving challenges of asset pooling and an uncertain world economy as we seek to maintain the current high standards of the administration of the Fund.



Councillor Graham Lawman
Chairman of Northamptonshire Pensions Committee

Scheme Framework

The Local Government Pension Scheme is a statutory funded pension scheme. It is “contracted-out” of the state scheme and is termed a defined benefit scheme. The operation of the Northamptonshire Local Government Pension Scheme is principally governed by the Local Government Pension Scheme Regulations 2013 (as amended) and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) which have been made within the context of the Primary legislation of the Public Service Pensions Act 2013. The scheme covers eligible employees of the County Council, the Police Authority, Police and Crime Commissioner, District and Borough Councils and Academies within the county area other than teaching staff, police officers and fire-fighters for whom separate statutory arrangements exist. A number of other bodies are also members of the scheme.

Employers’ contribution rates are set by the Fund’s Actuary every three years following the valuation of the Fund, in order to maintain the solvency of the fund. The last valuation took place on data at 31 March 2013. The results of the valuation were a funding level of 70.5% and an average employer contribution rate of 32.1%. The 2016 valuation is underway and results are due to be published in March 2017.

On 1 April 2014, the new Local Government Pension Scheme 2014 came into effect, allowing more flexibility around paying into the Scheme and drawing benefits. Normal pension age is linked to the state pension age but benefits can be drawn earlier or later, between age 55 and 75. The normal retirement age is the age a member can access their pension in full; if it is accessed before that date benefits will usually be reduced and if accessed after normal retirement age, benefits may increase. All service built up to 31 March 2014 in the LGPS is fully protected and will continue to be based on a member’s final year’s pay when the individual leaves the LGPS.

Benefits built up before April 2014 also retain their protected Normal Pension Age which for most members is 65, although certain members have a retirement age of 60 for all, or part of their membership. There is an additional protection known as the ‘underpin’ for members who were active on 31 March 2012 and were within ten years of their Protected Normal Pension Age on 1 April 2012. These members will get a pension at least equal to the pension they would have received in the LGPS had it not changed on 1 April 2014, subject to meeting certain criteria.

The new scheme changes were widely publicised to all stakeholders of the Fund via a range of communication methods including, e-mails, bulletins, seminars, presentations, forums and workshops. The Fund has assisted scheme members and employers through the transition and provided information and guidance where required.

The below table compares the 2008 and 2014 Schemes -

	LGPS 2008	LGPS 2014
Basis of Pension	Final Salary	Career Average Revaluated Earnings (CARE)
Accrual Rate	1/60 th	1/49 th
Revaluation Rate	Based on Final Salary	Consumer Prices Index (CPI)
Pensionable Pay	Pay excluding non contractual overtime and non pensionable additional hours	Pay including non-contractual overtime and additional hours
Employee Contribution rates	Between 5.5% and 7.5%	Between 5.5% and 12.5%
Contribution Flexibility	No	Option to pay 50% contributions for 50% of pension benefit
Normal Pension Age	65	Equal to individuals state pension age
Lump Sum Trade Off	Trade £1 of pension for £12 lump sum	Trade £1 of pension for £12 lump sum
Death in Service Lump Sum	3 x Pensionable Pay	3 x Pensionable Pay
Death in Service Survivor Benefits	1/160 th accrual based on Tier 1 ill health pension enhancement	1/160 th accrual based on Tier 1 ill health pension enhancement
Ill Health Provision	Tier 1 – Immediate payment with service enhanced to Normal Pension Age (65) Tier 2 – Immediate payment with 25% service enhancement to Normal Pension Age (65) Tier 3 – Temporary payment of pension for up to 3 years	Tier 1 – Immediate payment with service enhanced to Normal Pension Age Tier 2 – Immediate payment with 25% service enhancement to Normal Pension Age Tier 3 – Temporary payment of pension for up to 3 years
Indexation of Pension in Payment	CPI (RPI for pre-2011 increases)	CPI
Vesting Period	3 months	2 years

Active Employers (263)

Scheduled Bodies

Abbey C of E Academy	Freemans Endowed C of E Junior Academy
Abbeyfield School (Academy)	Friars Academy
Abington Vale Academy	Grange Primary Academy
Badby Primary Academy	Great Addington CEVA Academy
Barby C of E Primary School	Green Oaks Primary Academy
Beanfield Primary Academy	Greenfields Primary Academy (MAT)
Billing Brook Special School	Greenfields School & Sports College
Bishop Stopford School	Gretton Primary
Blackthorn Primary Academy	Guilsborough School (Academy)
Boddington C of E Primary Academy	Hardingstone Primary Academy
Boughton Primary Academy	Hartwell Primary School
Brambleside Primary School	Havelock Infant Academy
Braunston Primary Academy	Havelock Junior Academy
Briar Hill Primary Academy	Hazel Leys Primary & Nursery
Brooke Weston Academy	Headlands Academy
Campion School	Huxlow Science College
Caroline Chisholm School	Irthlingborough Inf. Academy
Ceder Road Primary Academy	Irthlingborough Jnr. Academy
Chacombe CEVA Primary Academy	Isebrook College Academy
Chenderit Academy	Kettering Borough Council
Chipping Warden School Academy	Kettering Buccleuch Academy
Churchill Contract Services Ltd (Campion School)	Kettering Park Infants
Complementary Education (Academy)	Kettering Science Academy
Corby Borough Council	Kilsby Primary Academy
Corby Business Academy	Kings Heath Academy
Corby Old Village Primary School	Kings Sutton Primary Academy
Corby Primary Academy	Kingsley Special Academy
Corby Studfall Junior	Kingsthorpe College Academy
Corby Technical College	Kingsthorpe Grove Primary School
Cottingham C of E Primary School	Kingswood Primary Academy
Culworth C of E Primary Academy	Kingswood Secondary Academy
Danesholme Junior Academy	Lings Academy
Danetre & Southbrook Learning Village	Loatlands Primary Academy
Daventry District Council	Loddington CEVA Academy
Daventry UTC	Lodge Park Academy
East Northamptonshire Council	Lumbertubs Primary Academy
Eastfield Academy	Magdalen College (Academy)
Easton Garford CEVA Primary Academy	Malcolm Arnold Academy
Ecton Brook Primary School Academy	Malcolm Arnold Prep School
Elizabeth Woodville Academy	Manor School Sports College
Exeter - A Learning Community Academy	Maplefields Academy
Falconers Hill Academy	Middleton Cheney Community Primary Academy

Finedon Infants Academy
Milton Parochial Primary Academy
Montsaye Academy
Moulton College
Moulton School and Science College
Naseby Academy
NBC Housing
Newnham Primary Academy
Nicholas Hawksmoor Academy
Northampton Academy
Northampton Borough Council
Northampton College
Northampton Partnership Homes
Northampton School for Boys (NonLEA)
Northampton School for Girls (Academy)
Northamptonshire Coroners
Northants Chief Constable
Northgate Academy
Oakley Vale Primary Academy
Oakway Academy
Olympic Primary Academy
Our Lady of Walsingham Catholic Prim. Academy
Peterborough Diocese Education Trust
Police & Crime Commissioner (NCC)
Preston Hedge's Primary Academy
Prince William School
Pytchley Endowed CEVA Primary Academy
Ringstead C of E Primary Academy
Risdene Academy
Rockingham Primary Academy
Rothwell Junior Academy
Rothwell Victoria Infant Academy
Rushden Community Academy
Rushden Primary Academy
Rushton Primary Academy
Ruskin Junior Academy
Silverstone UTC
Simon de Senlis Primary Academy
Sir Christopher Hatton Academy
South Northamptonshire Council
Southfield Academy
Southfield Primary Academy
Sponne School
Spring Lane Primary Academy
St Andrews CEVA Primary (Kettering)
St Barnabas Church of England School
St Brendans Catholic Primary Academy
St Edwards Catholic Primary Academy
St James C of E Primary School
St Loys C of E Primary Academy
St Lukes Academies Trust HQ
St Mary's C of E Primary Academy, Burton Latimer
St Mary's C of E Voluntary Aided Primary Academy, Kettering
St Mary's Catholic Primary School
St Peter's Church of England Academy
St Thomas More Catholic Primary Academy
Staverton C of E Primary Academy
Stimpson Avenue Academy
Sunnyside Primary (Academy)
The Arbours Primary (Academy)
The Castle Primary Academy
The Duston School
The Education Fellowship
The Ferrers School Academy
The Parker E-ACT Academy
The Queen Eleanor Primary Academy
Thomas Beckett Catholic School
Thorplands Primary Academy
Towcester CE Primary School
Tresham College of Further & Higher Education
University Of Northampton
Victoria Primary Academy
Warwick Primary Academy
Waynefleete Infants
Weavers Academy
Weedon Bec Academy
Weldon Primary School
Well Lady'S Catholic Junior School
Wellingborough Borough Council
Welton Primary Academy
Weston Favell Academy
Weston Favell Primary Academy
Wilbarston C of E Primary Academy
Windmill Primary Academy
Woodford Halse Academy
Woodland View Academy
Woodnewton Learning Academy
Woodvale Primary (Academy)
Wootton Primary Academy
Wren Spinney Community Special School
Wrenn School

Designated Bodies

Bar Hill Parish Council	Moulton Parish Council
Barby Parish Council	Olympus Care Services
Billing Parish Council	Oundle Town Council
Brackley Town Council	Raunds Town Council
Brixworth Parish Council	Rushden Town Council
Desborough town council	Spratton Parish Council
Duston Parish Council	Stanwick Parish Council
East Hunsbury Parish Council	Thrapston Town Council
Finedon Parish Council	Towcester Town Council
Grange Park Parish Council	West Haddon Parish Council
Higham Ferrers Town Council	Wollaston Parish Council
Irthlingborough Town Council	Wootton, Wootton Fields & Simpson Manor Parish Council
LGSS Law Ltd (NCC)	

Admitted Bodies

ABM Catering (Waynelete)	Kingswood Catering (Wrenn)
ABM Catering Limited	Kingswood Catering (Yardley Gobion)
Action for Children (Central)	May Gurney
Action for Children (Daventry)	May Gurney (NORDIS)
Action for Children (Kettering)	May Gurney Fleet & Passenger Services Limited
Action for Children (Northampton East)	National Car Parks (NCP)
Action for Children (South Northamptonshire)	NHS Arden Commissioning Report
Action for Children (Wellingborough)	North Northants Development Corporation
Age Concern (Northampton And County)	Northampton Connexions Partnership
Amey Plc	Northampton Enterprise Ltd
Balfour Beatty Living Places Limited	Northampton High School
Catalyst Corby	Northampton Theatres Trust
Caterlink - Denfield Park Primary School	Northamptonshire Carers
Clubs for Young People Northamptonshire	Northamptonshire Healthcare NHS Foundation
Community Spaces	Northamptonshire Music and Performing Arts Trust
Consortium Audit (Warwickshire)	Places for People Leisure
CRI (NCC)	Rockingham Forest Trust
Cucina Restaurants Ltd	Shaw Healthcare
Danesholme Infants School	South Northants Homes
Daventry & District Housing	Spire Homes Limited
East Midlands Leadership Centre	Spurgeons (Corby)
East Northants Cultural Trust	Spurgeons (East Northamptonshire)
Easy Clean Contractors Ltd	Spurgeons (Northampton North)
EMLC Academy Trust	Spurgeons (Northampton West)
emPSN Services Limited	The Castle (Wellingborough) Limited
Enterprise Managed Services	Unity Leisure
G4S	University of Northampton Enterprises Ltd
KGB Cleaning & Support Services Ltd	Wellingborough Homes Ltd
Kingswood Catering (Brixworth)	Wellingborough Norse
Kingswood Catering (Irchester Primary)	WSP Management Services Ltd
Kingswood Catering (Isebrook)	
Kingswood Catering (Kingsley Special)	
Kingswood Catering (Mawsley Primary)	

Scheme Management and Advisors

Registered Pension Scheme Number: 00329946RE

Administering Authority

Northamptonshire County Council
P.O. Box 136
County Hall
Northampton
NN1 1AT

Administrator

Mr M Bowmer
Director of Finance
S151 Officer
Northamptonshire County Council, LGSS

Pension Committee and Investment Sub Committee:

County Council Members

Cllr Graham Lawman (Chairman)
Cllr Jim Hakewill (Vice Chairman)
Cllr Michael Brown
Cllr Malcolm Longley
Cllr Dennis Meredith – resigned June 2015
Cllr Brendon Glynane – appointed June 2015
Cllr Russell Roberts
Cllr Bob Scott
Cllr Winston Strachan – substitute appointed May 2015
Cllr Mick Scrimshaw – substitute resigned May 2015

Other Local Authorities, Police and Fire (Borough and District Representatives)

Cllr Malcolm Ward (Borough Council of Wellingborough) – resigned June 2015
Cllr Chris Long (Daventry District Council) appointed November 2015, resigned May 2016
Cllr Martin Wilson (South Northants Council) – resigned May 2015
Cllr Richard Lewis (East Northamptonshire Council) – appointed November 2015, Substitute member prior to this date

Other Employers' Representatives

Alicia Bruce
Roger Morris
Robert Austin - Substitute

Member Representatives

Peter Borley-Cox
Josie Mason
Andy Langford - Substitute

Local Pension Board Members:

Scheme member representatives:

Paul Evans (Chairman) Penny Smith (Vice Chairwoman)
Nina Thomas

Employer representatives:

Cllr Allan Matthews Cllr Mick Scrimshaw
Audra Statham

Key Officers supporting the Fund

Head of Pensions LGSS	Mark Whitby
Investment and Fund Accounting Manager	Paul Tysoe
Operations and Technical Manager	Akhtar Pepper
Governance and Regulations Manager	Joanne Walton
Fund Financial Managers	Ben Barlow (Fund) Tracy Pegram (Investment) Richard Perry (Investment)
Investment Advisers	Mark Stevens Mercer Investment Consulting Belvedere, 12 Booth Street Manchester M2 4AW
Investment Managers	UBS Global Asset Management (UK) Ltd 4 th Floor 21 Lombard Street London EC3V 9AH Majedie Asset Management Ltd 10 Old Bailey London EC4M 7NG Newton Investment Management Ltd Mellon Financial Centre 160 Queen Victoria Street London EC4V 4LA CBRE Global Investment Partners Third Floor, One New Change London EC4M 9AF Wellington Management International Ltd Cardinal Place, 80 Victoria Street London SW1E 5JL Baillie Gifford & Co. Calton Square, 1 Greenside Row Edinburgh EH1 3AN Skagen Funds High Holborn House 52-54 High Holborn London WC1V 6RL

Investment Managers, cont.	Catapult 11 Burrough Court Burrough on the Hill Melton Mowbray Leicestershire LE14 2QS
Custodian	The Northern Trust Company 50 Bank Street Canary Wharf London E14 5NT
AVC Providers	Prudential Assurance Co Ltd Laurence Pountney Hill London EC4R 0HH
	Standard Life 1 Baileyfield Crescent Edinburgh EH15 1ET
Fund Actuary	Hymans Robertson LLP 20 Waterloo Street Glasgow G2 6DB
Auditor	KPMG LLP 1 Snow Hill, Queensway Birmingham B4 6GH
Legal Advisor	LGSS Legal Services Shire Hall Castle Hill Cambridge CB3 0AP
Performance Reporting	The World Markets Company 525 Ferry Road Edinburgh EH5 2AW
Banker	Barclays Bank Plc 1 Churchill Place Canary Wharf London E14 5HP

Further information regarding the accounts and investments can be obtained from:

Paul Tysoe, Investment and Fund Accounting Manager, LGSS
E-mail: phtysoe@northamptonshire.gov.uk
Telephone: 01604 368671

Enquiries relating to benefits and administration should be directed to:

Mark Whitby, Head of Pensions, LGSS
E-mail: MWhitby@northamptonshire.gov.uk
Telephone: 01604 368502

Risk Management

Northamptonshire County Council, the Administering Authority to the Northamptonshire Pension Fund, has a process in place to identify, evaluate, mitigate and monitor risks associated with the activities that the Fund carries out. The arrangements in place which provide for the management of risk are described below.

A Risk Strategy was formally agreed in 2015-16 and a revised Risk Register using analysis of the likelihood and impact of risk will be presented to the Committee in the 2016-17 financial year.

The Risk Strategy can be found at -

<http://pensions.northamptonshire.gov.uk/wp-content/uploads/2016/04/Risk-Strategy-6.pdf>

Managing decision making

Northamptonshire County Council has established a Pensions Committee and Investment Sub-Committee having strategic and operational investment decision making powers respectively.

Membership of both bodies consist of elected, non-elected and scheme member representatives. All members of the Investment Sub-Committee sit on the Pensions Committee.

The Pensions Committee's business covers all Fund matters with the exception of non-strategic investment issues, which are delegated to the Investment Sub-Committee. Officers across the administration, investment, accounting and governance functions support the Pensions Committee and Investment Sub-Committee meetings as required.

All meetings of the Pensions Committee and Investment Sub-Committee are minuted.

Pensions Committee members and Investment Sub-Committee members are required to attain a desired level of training and knowledge, to ensure decisions being made on behalf of Northamptonshire Pension Fund are made with full understanding of the impact, therefore mitigating the risk of unfounded decisions.

The Committee must at all times be conscious of its accountability to shareholders. It is responsible for determining the nature and extent of any significant risks taken on by the Administering Authority in the pursuit of its strategic objectives. Risk management should be dynamic and comprehensive; considering operational, reputational and environmental, social and governance (ESG) risks in addition to financial risks.

The Local Pension Board was established on 1 April 2015, to provide an additional layer of governance to the Fund. The Local Pension Board does not have any decision making authority but has the responsibility of assisting the Administering Authority to:

- secure compliance with the Local Government Pension Scheme (LGPS) regulations and other legislation relating to the governance and administration of the LGPS and also the requirements imposed by the Pensions Regulator in relation to the LGPS; and
- ensure the effective and efficient governance and administration of the LGPS.

The Local Pension Board has provided a separate annual report of its activities to Council for this financial year.

Managing investment and funding risks

The Northamptonshire Pension Fund has under £2billion pounds of assets under management as well as even larger long-term liabilities. It is essential that the Fund's assets are managed appropriately to ensure the Fund can meet the payment of its current and future liabilities.

The Fund currently has eleven investment mandates with eight fund managers.

An Investment Management Agreement is in place for each fund manager, setting out the relevant benchmark, performance target, asset allocation ranges and any statutory restrictions or other restrictions determined by the Pensions Committee and/or Investment Sub-Committee as appropriate.

Fund managers are also instructed to comply with the investment restrictions as set out in the LGPS (Management and Investment of Funds) Regulations 2009.

The constant monitoring of performance relative to a performance target constrains fund managers from deviating significantly from the intended approach, whilst permitting flexibility to manage mandates in such a way as to enhance returns. The appointment of more than one fund manager introduces a level of diversification of manager risk. Fund managers are instructed to diversify between investment types within each mandate so that the risks of potential losses are reduced.

Fund managers will bias their portfolios towards stocks which are expected to out-perform in rising or falling markets, but not take such contrarian positions that major under-performance occurs if they are incorrect in their strategies. They are required to operate in such a way that the possibility of underperformance against the target is kept within an acceptable limit. The Investment Sub-Committee monitors fund performance through informed Committee meetings with Officers and Advisers of the Fund, with additional scrutiny by the Local Pension Board.

The Fund's investment performance is reviewed by the Investment Sub-Committee and should remedial action be required, the Sub-Committee will determine the action to be taken and, where necessary, recommend this action to the Pensions Committee for approval. The Local Pension Board also has sight of recommendations to the Committee.

An alternative review of performance is undertaken annually upon receipt of data from The World Markets Company plc (“WM”), which provides the perspective of other LGPS funds performance. The Fund’s Custodian is reviewed annually by an independent monitoring service. The aim of this is to receive feedback on the quality and efficiency of services of the existing provider.

The Fund uses third party providers for investment management and custodian services. The risk of misstatement or error in the processes operated by these third parties is mitigated by reviewing the service’s independent auditor’s ISAE3402 reports.

The overall risk for any pension scheme is that its assets will be insufficient to meet its liabilities.

In terms of specific investment risk, the Northamptonshire Pension Fund is managed in a way that is designed to control and mitigate against this. Further Asset Liability Studies will be undertaken to help the Pensions Committee and Investment Sub-Committee determine, from time to time, appropriate asset allocation ranges. The aim of these is to ensure that the Fund’s assets are prudently spread across different asset types and markets. As the Fund’s liabilities are based in sterling, the majority of the Fund’s assets are likely to be sterling denominated. The asset allocation will be formally reviewed following publication of the next triennial valuation, and at other times as required.

Over the long-term, the Fund’s investments should provide a hedge against inflation and grow in line with the underlying economy. To minimise risk a broadly based portfolio of stocks is held, spread across different countries and different industrial sectors.

The Fund is subject to actuarial review every three years. The Fund’s actuary calculates the contributions required from employing authorities to ensure the solvency of the Fund. The Fund’s position is based on the market values of the assets at the time of the review and various other assumptions such as member longevity.

At present the Fund has a positive cash flow and is forecast to remain positive for a number of years. However the Fund is acutely aware of significant potential pressures arising from members opting out of the Scheme, financial pressures on employers, and the general economic climate. The Fund is actively monitoring these pressures to ensure it can act quickly should the need arise. The Scheme does sell investments from time to time as part of normal investment management activities.

Managing Scheme employer related risks

At 31 March 2016 there were 263 scheme employers in the Northamptonshire Pension Fund, all of which have different risks associated with their financial positions. Therefore it is important that close monitoring processes are in place to ensure the Fund and its stakeholders are protected from these risks.

The Fund is aware that it is possible for an increase in the employer contribution rate to become unaffordable for both existing scheme employers and to potential admissions of new employers to the Scheme. In these instances the Fund would seek

feedback and evidence from employers on their scope to absorb short-term contribution rises. It is also possible to mitigate the impact through deficit spreading and phasing in of contribution increases where this is possible and where this does not negatively impact the Fund. Another possible option is the “smoothing” of contribution increases over a number of valuation periods. Whichever option is considered, it is essential that decisions are well informed through actuarial advice and account for current and future asset and liability expectations.

It is essential for the Fund to actively manage employers that cease to exist; particularly those with insufficient funding or bonds in place to meet the liabilities that they leave behind. In some cases the liabilities will pass back to the ceding employer or, where this is not an option, the liabilities will be spread across the remaining employers within the Fund. The Fund has in place a comprehensive Admissions Policy which clearly sets out where a guarantee or bond is required in order for a new employer to secure admission to the Fund.

Scheme employers can also present the Fund with risks from submitting poor quality data. Inaccurate data can lead to the miscalculation of pension benefits which can lead to the misstatement of the benefits a member is entitled to. Any inaccuracy of data could have a detrimental affect on the size of the employer’s liabilities which may result in a higher and potentially unaffordable employer contribution rate at the next valuation. The Fund has and will continue to actively engage with scheme employers to provide training, tools and support to improve the accuracy of data. The Fund also monitors employer performance in the form of key performance indicators which are regularly fed back to employers.

Managing demographic risks

The increasing life expectancy of Scheme members over the years has increased the value of the Fund’s liabilities which has resulted in a decrease in the funding position. Employer contribution rates have been increased at each triennial valuation to ensure that the funding position does not continue to deteriorate. The Fund also uses analysis of changing life expectancy trends which is fed into the Fund’s valuation process to ensure that employer contribution rates are calculated based on the most accurate data available.

Financial Performance

The following tables provide details regarding the management of the Fund's income and expenditure.

Three year forecast of income and expenditure

	2015-16 Estimated Outturn £000	2015-16 Final Outturn £000	2016-17 Forecast £000	2017-18 Forecast £000	2018-19 Forecast £000
Contributions.	(94,700)	(97,993)	(93,479)	(93,254)	(96,971)
Transfers in from other pension funds:	(6,000)	(2,042)	(3,400)	(3,400)	(3,400)
TOTAL INCOME	(100,700)	(100,035)	(96,879)	(96,654)	(100,371)
Benefits payable.	84,200	82,713	81,530	83,083	84,668
Payments to and on account of leavers.	6,000	4,447	3,400	3,400	3,400
	90,200	87,160	84,930	86,483	88,068
	(10,500)	(12,875)	(11,949)	(10,171)	(12,303)
Management Expenses	9,954	7,750	8,560	8,727	8,834
Investment Income	(32,000)	(32,241)	(31,000)	(32,000)	(33,000)
Taxes on income	0	50	0	0	0
Profit and losses on disposal of investments and changes in the market value of investment	(115,000)	30,924	(53,000)	(56,000)	(59,000)
Net return on investments	(147,000)	(1,267)	(84,000)	(88,000)	(92,000)
Net (increase)/decrease in the net assets available for benefits during the year	(147,546)	(6,392)	(87,389)	(89,444)	(95,469)

Performance against budget – net operational expenses

The following table shows the Fund's forecast for total management expenses for 2015-16 compared with the outturn.

	2015-16 Forecast £'000	2015-16 Outturn £'000	Variance £'000
Administration Expenses	1,795	1,851	56
Investment Management Expenses	7,744	5,750	(1,994)
Oversight and Governance	415	149	(266)
Total Management Expenses	9,954	7,750	(2,204)

Timeliness of contributions

The following table shows the amount of regular employee and employer contributions paid during 2015-16 and the value and percentage of which were paid both on time and after the deadline of the 19th day of the month following deduction.

	Total paid in 2015-16	Total Paid on Time	% Paid on Time	Total Paid Late	% Paid Late
Employer Contributions	£69,417,187	£66,709,917	96.10%	£2,707,270	3.90%
Employee Contributions	£17,354,297	£16,837,139	97.02%	£517,158	2.98%
Total	£86,771,484	£83,547,056	96.28%	£3,224,428	3.72%

No interest was charged on any of the late payments.

Movement in assets & liabilities

The table below shows the forecast against the outturn on the Fund's cash flows and asset values in respect of 2015-16.

	2015-16 Estimated Outturn £'000	2015-16 Final Outturn £'000
Cash flows		
Fund (surplus) / deficit cash from dealings with members	(10,500)	(12,875)
Management expenses	9,954	7,750
Returns on investments	(147,000)	(1,267)
Net increase in the net assets available for benefits during the year	(147,546)	(6,392)
Assets held		
Index-linked securities	60,861	-
Equities – directly held	792,131	677,033
Pooled investments	1,030,589	971,588
Pooled property investments	168,794	174,032
Private equity/infrastructure	1,610	1,173
Cash deposits	21,816	28,979
Other	3,307	5,238
Net investment assets	2,079,108	1,858,043

Returns on investments were significantly lower than estimated during the year, resulting from general poor performance across a range of markets. Management expenses were also lower than expected, significantly impacted by vacant staff positions during the year, and lower than expected investment costs.

Recovery of overpayments of pension

The following tables show the analysis of pension overpayments that occurred during 2015-16.

Type of Overpayment	Action Taken	Number of Cases	Amount
			£
Retirement	Recovered	2	£2,578.77
	Requested	6	£55,387.73*
	Written off	1	£10.50
Total		9	£57,977.00
Death	Recovered	12	£5,061.43
	Requested	20	£13,100.79
	Written off	152	£11,788.22
Total		184	£29,950.44
Cessation of Eligibility (Child Pension)	Recovered	-	-
	Requested	1	£333.07
	Written Off	2	£114.64
Total		3	£447.71
Total Overpayments		196	£88,375.15

*£38,381.62 of this total amount was due to a change in an employer decision via an appeals process resulting in the member becoming ineligible to receive their lump sum and pension payment already received.

From the 2014/15 National Fraud Initiative exercise all cases have now been investigated and the value of £327.60 remains outstanding. The value of £436.25 was written off in addition to the previous cases reported.

Annual Pensioner Payroll (excluding additional pension awarded by the employer)	£66,216,547
Total write off amount	£11,913.36
Write offs as a % of payroll	0.017%
Number of cases written off	155
Number of cases in the process of recovery	27
Number of cases recovered	14

The average write off amount per individual is £76.86.

Northamptonshire Pension Fund has an Overpayment of Pension Policy which details how overpayments should be managed once identified.

The Policy can be found at -

<http://pensions.northamptonshire.gov.uk/wp-content/uploads/2012/11/NPF-Overpayment-of-Pension-Policy-.pdf>

Administrative Management Performance

Key administration performance indicators

The table below shows the number and trend of the top 10 types of scheme administration cases.

Case Type	Target (working days)	Number Received	Number within target	Target	% within target
Confirm transfer-in payment and service credited to scheme member	10	77	72	90%	94%
Provide employer with requested estimate of benefits	10	688	643	90%	93%
Provide a maximum of one estimate to employees per request per year	10	1400	1161	90%	83%
Provide a maximum of one cash equivalent transfer to employees per year on request	10	603	494	90%	82%
Notify employees retiring from active membership of benefit award	5	1099	1070	95%	97%
Acknowledge death of active/deferred/pensioner member	5	796	791	100%	99%
Change of address	2	1543	1488	100%	96%
Expression of Wish form received	2	1248	1244	100%	99%
Opt out form received	2	911	909	100%	99%
Personal change update	2	357	353	100%	99%

The Fund has developed a number of KPIs to monitor service delivery. These KPIs are reviewed internally on a monthly basis to monitor and inform where delivery is met

or remedial action is required. The Pensions Committee receives quarterly performance updates within the Business Plan update.

Performance is a partnership between the administration team and the constituent employers of the Fund and most of the targets shown are well in excess of statutory guidance therefore representing stretch targets. Targets concerning the provision of estimates and cash equivalent transfers were not met during the year as Freedom of Choice legislation has resulted in an increase in enquiries and requests for estimates and cash transfers. This significant increase in volume has proved difficult to process on a timely basis. Additional staff have now been recruited to manage the additional workload. We continue to work with scheme employers to improve timeliness and quality of data received to improve delivery.

In October 2015, a survey was sent to all customers of LGSS to assess the level of satisfaction with the services provided. LGSS Pensions achieved a 94% rating of satisfactory and above, comparing favourably to a rating of 86% in November 2014.

Financial indicators of administrative efficiency

The table below shows the unit costs per member of administering the Fund.

	Northamptonshire Pension Fund	Benchmark
Unit cost per member excluding investment management expenses	£18.75(2014/15)	£19.17
Unit cost per member including investment manager expenses	£7,596,000 / 57205 members = £132.79 (2014/15)	N/A

Key staffing indicators

In 2015/16, the average staff to member ratio was one full time member of staff to 2,693 members (2014/15: 1:2,668) and the number of cases per full time member of staff was 896 (2014/15: 808).

5 Year analysis of Fund membership as at year ending 31 March:

	2012	2013	2014	2015	2016
Active Members	16,770	17,277	18,334	19,407	20,140
Deferred Beneficiaries	17,027	20,129	20,887	23,377	25,383
Pensions in Payment	12,993	13,692	14,155	14,421	14,865
Total	46,790	51,098	53,376	57,205	60,388

Age profile of Fund membership at 31 March 2016:

Age Band Years	Actives	Deferred	Pensioners
<20	230	118	122
20 – 24	1089	867	22
25 – 29	1339	1867	1
30 – 34	1777	2429	3
35 – 39	2358	2612	13
40 – 44	3239	3897	36
45 – 49	3590	4911	82
50 – 54	3121	4478	139
55 – 59	2151	3024	870
60 – 64	1045	1028	3073
65 – 69	174	114	4066
70 – 74	26	28	2578
75 – 79	1	9	1694
80 – 84		1	1169
85 – 89			634
90 – 94			274
95 – 99			63
100 – 104			25
105 – 109			1

For reference scheme regulations disallow any scheme member to defer or continue to pay into the scheme once they have reached the age of 75. The reasons for active and deferred member records over the age of 75 mostly relates to: members who have failed to keep their contact details up to date over the years and we are now unable to make contact with; and members with small amounts of contributions who are yet to claim their refund.

Employee and employer contributions 2015-16

The following table shows the contributions paid by the active employers in the fund during 2015-16.

Employers	Employee	Employer	Total
	£000	£000	£000
Abbey C of E Academy	9	33	42
Abbeyfield School (Academy)	48	187	235
Abington Vale Academy	14	59	73
ABM Catering (Waynelete)	-	1	1
Action for Children (Central)	7	24	31
Action for Children (Daventry)	3	12	15
Action for Children (Kettering)	4	12	16
Action for Children (Northampton East)	18	60	78
Action for Children (South Northamptonshire)	1	3	4
Action for Children (Wellingborough)	4	12	16
Age Concern (Northampton And County)	3	47	50
Amey Plc	15	79	94
Badby Primary Academy	8	30	38
Balfour Beatty Living Places Limited	11	36	47
Bar Hill Parish Council	-	1	1
Barby C of E Primary School	5	19	24
Barby Parish Council	1	5	6
Barry Road Primary	20	72	92
Beanfield Primary Academy	31	117	148
Billing Brook Special School	53	199	252
Billing Parish Council	1	6	7
Bishop Stopford School	60	235	295
Blackthorn Primary Academy	19	79	98
Boddington C of E Primary Academy	3	17	20
Boothville Primary School	27	122	149
Boughton Primary Academy	8	29	37
Bracken Leas Primary School	15	61	76
Brackley Town Council	9	35	44
Brambleside Community School	1	6	7
Brambleside Primary School	19	77	96
Braunston Primary Academy	8	34	42
Briar Hill Primary Academy	10	44	54
Brixworth C of E Primary School	19	76	95
Brixworth Parish Council	1	9	10
Brooke Weston Academy	81	199	280
Broughton Primary	12	46	58
Bugbrook Community Primary School	14	56	70
Campion School	49	208	257
Caroline Chisholm School	76	252	328
Catalyst Corby	-	1	1
Ceder Road Primary Academy	10	41	51
Chacombe CEVA Primary Academy	5	20	25

Employers	Employee	Employer	Total
	£000	£000	£000
Chenderit Academy	33	134	167
Chipping Warden School Academy	4	19	23
Clipston EVC Primary	5	20	25
Clubs for Young People Northamptonshire	2	5	7
Community Spaces	1	4	5
Complementary Education (Academy)	43	166	209
Consortium Audit (Warwickshire)	2	4	6
Corby Borough Council	530	2774	3304
Corby Business Academy	72	233	305
Corby Old Village Primary School	10	40	50
Corby Primary Academy	6	19	25
Corby Studfall Junior	26	102	128
Corby Technical College	13	51	64
Cottingham C of E Primary School	5	20	25
CRI (NCC)	6	21	27
Croughton All Saints C of E Primary School	5	17	22
Croyland Children's Centre & Nursery	21	79	100
Cucina Restaurants Ltd	-	2	2
Culworth C of E Primary Academy	5	21	26
Danesholme Infants School	11	47	58
Danesholme Junior Academy	16	63	79
Danetre & Southbrook Learning Village	64	248	312
Daventry & District Housing	54	273	327
Daventry District Council	316	1707	2023
Daventry UTC	17	63	80
Deanshanger Parish Council	-	2	2
Denfield Park Primary	23	90	113
Desborough town council	1	6	7
Duston Eldean Primary School	15	60	75
Duston Parish Council	9	33	42
East Hunsbury Parish Council	2	7	9
East Hunsbury Primary	19	74	93
East Midlands Leadership Centre	19	39	58
East Northamptonshire Council	290	1497	1787
East Northants Cultural Trust	11	48	59
Eastfield Academy	11	36	47
Easton Garford CEVA Primary Academy	2	6	8
Easy Clean Contractors Ltd	1	4	5
Ecton Brook Primary School Academy	28	114	142
Elizabeth Woodville Academy	53	230	283
EMLC Academy Trust	17	42	59
Enterprise Managed Services	181	788	969
Exeter - A Learning Community Academy	42	123	165
Fairfields Special School	50	202	252
Falconers Hill Academy	11	46	57
Finedon Infants Academy	9	34	43

Employers	Employee	Employer	Total
	£000	£000	£000
Finedon Mulso CEVA Junior Sch	2	-	2
Finedon Mulsoe C of E Junior School	5	31	36
Freemans Endowed C of E Junior Academy	10	42	52
Friars Academy	29	116	145
G4S	21	82	103
Gateway School	18	66	84
Grange Park Parish Council	2	6	8
Grange Primary Academy	11	43	54
Great Addington CEVA Academy	4	18	22
Great Creaton Primary School	3	11	14
Green Oaks Primary Academy	19	69	88
Greenfields Primary Academy (MAT)	18	74	92
Greenfields School & Sports College	39	166	205
Gretton Primary	7	27	34
Guilsborough School (Academy)	49	180	229
Hall Meadow Primary	10	39	49
Hardingstone Primary Academy	5	25	30
Hartwell Primary School	8	31	39
Havelock Infant Academy	14	59	73
Havelock Junior Academy	16	69	85
Hazel Leys Primary & Nursery	10	41	51
Headlands Academy	27	112	139
Henry Chichele Primary School	7	30	37
Higham Ferrers Junior School	11	45	56
Higham Ferrers Nursery & Infant School	14	56	70
Higham Ferrers Town Council	3	9	12
Highfield Nursery & Childrens Centre	10	39	49
Hopping Hill Primary	19	79	98
Hunsbury Park Primary	15	62	77
Huxlow Science College	36	146	182
Irchester Community Primary School	15	56	71
Irthlingborough Inf. Academy	22	78	100
Irthlingborough Jnr. Academy	14	58	72
Irthlingborough Town Council	5	17	22
Isebrook College Academy	34	140	174
Kettering Borough Council	682	3148	3830
Kettering Buccleuch Academy	59	154	213
Kettering Park Infants	12	51	63
Kettering Science Academy	72	178	250
Kilsby Primary Academy	8	25	33
Kings Heath Academy	22	66	88
Kings Sutton Primary Academy	7	29	36
Kingsley Primary	15	62	77
Kingsley Special Academy	49	188	237
Kingsthorpe College Academy	57	222	279
Kingsthorpe Grove Primary School	28	112	140

Employers	Employee	Employer	Total
	£000	£000	£000
Kingswood Catering (Brixworth)	1	6	7
Kingswood Primary Academy	13	55	68
Kingswood Secondary Academy	58	233	291
Latimer Arts College	43	162	205
LGSS Law Ltd (NCC)	63	210	273
Lings Academy	13	41	54
Loatlands Primary Academy	14	60	74
Loddington CEVA Academy	5	21	26
Lodge Park Academy	50	202	252
Lumbertubs Primary Academy	11	47	58
Magdalen College (Academy)	60	231	291
Malcolm Arnold Academy	52	192	244
Malcolm Arnold Prep School	5	11	16
Manor School Sports College	59	153	212
Maplefields Academy	38	151	189
Mawsley Primary School	13	49	62
May Gurney	48	162	210
May Gurney (NORDIS)	14	69	83
May Gurney Fleet & Passenger Services Limited	52	186	238
Middleton Cheney Community Primary Academy	12	53	65
Millbrook Infant School	19	75	94
Millbrook Junior School	26	102	128
Milton Parochial Primary Academy	4	16	20
Montsaye Academy	67	250	317
Moulton College	250	796	1046
Moulton Parish Council	4	14	18
Moulton Primary School	20	83	103
Moulton School and Science College	77	199	276
Naseby Academy	3	10	13
National Car Parks (NCP)	10	40	50
Northamptonshire Partnership Homes Ltd	378	2281	2659
Newnham Primary Academy	5	18	23
NHS Arden Commissioning Report	-	8	8
Nicholas Hawksmoor Academy	18	75	93
Northampton Academy	67	207	274
Northampton Borough Council	627	5587	6214
Northampton College	305	1026	1331
Northampton Connexions Partnership	93	686	779
Northampton County Council - Councillors	62	-	62
Northampton Enterprise Ltd	17	40	57
Northampton High School	33	164	197
Northampton School for Boys (NonLEA)	66	258	324
Northampton School for Girls (Academy)	61	252	313
Northampton Theatres Trust	23	148	171
Northamptonshire Carers	6	18	24
Northamptonshire County Council	5975	23117	29092

Employers	Employee	Employer	Total
	£000	£000	£000
Northamptonshire Healthcare NHS Foundation	26	100	126
Northamptonshire Music and Performing Arts Trust	8	34	42
Northants Chief Constable	1415	4068	5483
Northgate Academy	71	225	296
Oakley Vale Primary Academy	20	66	86
Oakway Academy	21	88	109
Olympic Primary Academy	13	55	68
Olympus Care Services	518	1343	1861
Oundle and Kings Cliffe Middle School	6	29	35
Oundle Primary School	12	46	58
Oundle Town Council	8	21	29
Our Lady of Walsingham Catholic Prim. Academy	17	70	87
Park Infant School (Raunds)	6	25	31
Park Junior School (Kettering)	20	68	88
Parklands Community Association (NCC)	-	1	1
Parklands Primary School	14	55	69
Paulerspury C of E Primary School	4	18	22
Peterborough Diocese Education Trust	11	33	44
Places for People Leisure	10	32	42
Polebrook C of E Primary School	1	6	7
Police & Crime Commissioner (NCC)	78	174	252
Preston Hedge's Primary Academy	16	64	80
Prince William School	21	82	103
Prince William School (Academy)	27	143	170
Pytchley Endowed CEVA Primary Academy	3	11	14
Raunds Town Council	4	18	22
Redwell Infants	18	73	91
Ringstead C of E Primary Academy	4	18	22
Ringstead CE Primary School	1	4	5
Risdene Academy	16	67	83
Rockingham Forest Trust	7	26	33
Rockingham Primary Academy	15	65	80
Rothwell Junior Academy	9	39	48
Rothwell Victoria Infant Academy	18	78	96
Rowan Gate	43	174	217
Rushden Community Academy	37	148	185
Rushden Primary Academy	2	12	14
Rushden Town Council	12	32	44
Rushton Primary Academy	5	21	26
Ruskin Junior Academy	16	64	80
Shaw Healthcare	18	91	109
Silverstone UTC	25	78	103
Simon de Senlis Primary Academy	19	79	98
Sir Christopher Hatton Academy	51	196	247
South End Infant School	14	59	73
South End Junior School	12	49	61

Employers	Employee	Employer	Total
	£000	£000	£000
South Northamptonshire Council	398	1,728	2,126
South Northants Homes	129	382	511
Southfield Academy	36	139	175
Southfield Primary Academy	13	57	70
Spire Homes Limited	6	151	157
Sponne School	57	223	280
Spratton Parish Council	-	1	1
Spring Lane Primary Academy	15	62	77
Spurgeons (Corby)	2	7	9
Spurgeons (East Northamptonshire)	10	48	58
Spurgeons (Northampton North)	3	19	22
Spurgeons (Northampton West)	4	14	18
St Andrews CEVA Primary (Kettering)	12	46	58
St Barnabas Church of England School	10	40	50
St Brendans Catholic Primary Academy	7	27	34
St Edwards Catholic Primary Academy	7	29	36
St James C of E Primary School	20	83	103
St Loys C of E Primary Academy	4	15	19
St Lukes Academies Trust HQ	1	4	5
St Mary's C of E Primary Academy, Burton Latimer	10	42	52
St Mary's C of E Voluntary Aided Primary Academy, Kettering	12	51	63
St Mary's Catholic Primary Sch	9	36	45
St Patrick's Catholic Primary & Nursery School	13	53	66
St Peter's Church of England Academy	5	24	29
St Thomas More Catholic Primary Academy	9	35	44
Standens Barn Primary School	14	59	73
Stanwick Parish Council	1	4	5
Staverton C of E Primary Academy	4	19	23
Stimpson Avenue Academy	16	63	79
Sunnyside Primary (Academy)	10	33	43
The Arbours Primary (Academy)	16	55	71
The Avenue Infants School	11	41	52
The Castle (Wellingborough) Limited	2	30	32
The Castle Primary Academy	17	52	69
The Duston School	73	286	359
The Education Fellowship	17	48	65
The Ferrers School Academy	43	165	208
The Grange, Daventry	18	72	90
The King John School, Thrapston	6	38	44
The Parker E-ACT Academy	29	108	137
The Queen Eleanor Primary Academy	11	47	58
Thomas Beckett Catholic School	49	135	184
Thorplands Primary Academy	20	81	101
Thrapston Primary	19	78	97
Thrapston Town Council	3	7	10
Towcester CE Primary School	13	51	64

Employers	Employee	Employer	Total
	£000	£000	£000
Towcester Town Council	2	9	11
Tresham College of Further & Higher Education	264	937	1201
Trinity Church of England Primary School	5	21	26
Unity Leisure	84	260	344
University Of Northampton	944	3,233	4,177
University of Northampton Enterprises Ltd	54	198	252
Vernon Terrace Primary School	13	52	65
Victoria Primary Academy	13	53	66
Warwick Primary Academy	18	76	94
Waynelete Infants	8	31	39
Weavers Academy	54	223	277
Weedon Bec Academy	12	56	68
Weldon Primary School	8	32	40
Welford, Sibbertoft And Sulby Endowed School	2	11	13
Well Lady'S Catholic Junior School	19	75	94
Wellingborough Borough Council	196	1735	1931
Wellingborough Croyland Primary	30	122	152
Wellingborough Homes Ltd	29	105	134
Wellingborough Norse	82	213	295
Welton Primary Academy	5	17	22
Weston Favell Academy	51	202	253
Weston Favell Primary Academy	20	84	104
Wilbarston C or E Primary Academy	6	22	28
Windmill Primary Academy	6	26	32
Wollaston Community Primary School	9	37	46
Wollaston Parish Council	1	3	4
Wollaston School	43	171	214
Woodford Halse Academy	14	59	73
Woodland View Academy	17	73	90
Woodnewton Learning Academy	68	238	306
Woodvale Primary (Academy)	20	75	95
Wootton Primary Academy	17	73	90
Wootton,Wootton Fields & Simpson Manor Parish Council	-	2	2
Wren Spinney Community Special School	21	87	108
Wrenn School	68	264	332
WSP Management Services Ltd	118	344	462
	19,343	78,650	97,993

Investment Policy and Performance Report

The investment management of the Fund is governed by the provisions of the Local Government Pension Scheme – (Management and Investment of Funds) Regulations 2009 which seeks to ensure that the Fund:

- is suitably invested and has taken appropriate advice;
- has suitably diversified investments;
- has an appropriate number of investment managers who invest fund monies on its behalf;
- relevant investment limits are not exceeded;
- Investments and investment arrangements are regularly monitored and reviewed;
- has an appropriate Statement of Investment Principles;
- understands its powers to borrow; and
- operates a separate bank account.

Investment Asset Allocation

Asset allocation is determined by the Pensions Committee upon recommendation from the Investment Sub-Committee who are informed by officers and professional investment advisors on the categories of investment in which the Fund should invest.

The Fund reviews its asset allocation on an annual basis and conducts a more comprehensive review following the triennial valuation.

A full review conducted in 2013-14 following the 2013 triennial valuation recommended no immediate change to the asset allocation. The triennial valuation indicated that the Fund expects to remain cash flow positive for many years to come.

The asset allocation review focussed on assessing whether making changes to the asset allocation could either drive improvements in the funding level or provide more downside protection.

The current investment strategy seeks long-term return generation rather than short-term risk mitigation and seeks to achieve this by having a core allocation to equities within a strategically diversified overall portfolio. The target allocation to equities at 64% is broadly similar to the average Local Authority pension fund. A further 16% is allocated to growth assets offering strategic diversification, split equally between property and a Diversified Growth Fund. This leaves 20% to be invested in bonds, with half in UK bonds and half in mandates that are less exposed to rising interest rates, such as Total Return and Multi-Strategy Credit.

As the performance and therefore relative value of each investment asset class will vary over time, the Pensions Committee have approved tolerance levels around the target asset allocation percentages by which actual values can vary from the target allocation for each investment asset class.

During the 2015-16 financial year the Fund received training on strategies for enhancing inflation protection and passive equity investing but resolved to take no

immediate action and to revisit these areas when reviewing the outcome of the March 2016 actuarial valuation.

There were no new manager appointments or terminations effective during the year. However, in June 2015 the transfer was completed of the Wellington UK Fixed Income mandate to a passive Index-linked bond fund managed by UBS which was approved by the Investment Sub Committee in February 2015.

Other than the above transfer within the Fund's allocation to fixed income, the target asset allocation was unchanged at the end of the 2015-16 financial year.

Role of Investment Managers

Following the approval of the strategic asset allocation by the Pensions Committee, the Investment Sub-Committee appoints external investment fund managers for each asset class. Managers are responsible for all "day to day" investment decisions, providing them with flexibility to manage the Fund in such a way as to enhance returns and achieve the performance objectives for the funds under their management whilst acting within the constraints of an Investment Management Agreement (IMA) that is approved upon their appointment.

With the exception of a passive Global Equities mandate and a passive Fixed Income Index-linked mandate, all external investment managers have been given "active" briefs to outperform agreed specific benchmarks.

The IMA for each investment manager will include:-

- the specific class or classes in which they are permitted to invest, in line with the Fund's asset allocation, allowing little or no flexibility between asset classes;
- the value of the mandate under their management to invest. The Fund's allocation to a specific asset class may be divided between more than one manager to minimise disruption should the need arise to replace the manager;
- the relevant performance target above benchmark to reflect the intensity of their specific specialist investment brief; and
- any geographic constraints.

Investment Manager Profiles and performance targets for 2015-16

The target asset and manager allocation, associated benchmarks and performance targets at 31 March 2016 is shown below.

Asset Class	Weighting (%)	Market Benchmark Adopted	Target above bench-mark (%)
UK Equity	23.00		
Majedie	11.50	FTSE All-Share index	+2
UBS	11.50	FTSE All-Share index	+2
Global Equity	41.00		
Newton	15.30	MSCI World AC	+2
Skagen	5.00	Benchmark agnostic (but MSCI World AC can be used as a guide for performance monitoring purposes)	n/a (assume 3% as a guide)
UBS	20.70	FTSE All World (inc EM)* Passive	n/a
Bonds	20.00		
UBS Index-Linked	10.00	FTSE Actuaries Government Securities Index-Linked over 5 year index	n/a
Wellington Global Total Return	5.00	Bank of America Merrill Lynch T-Bill Index +5%	n/a
Wellington Global Strategic Credit	5.00	No specific benchmark (but Barclays Global Aggregate Credit 1-5yr GBP Hedged Index can be used for performance monitoring purposes)	n/a
Diversified Growth	8.00		
Baillie Gifford	8.00	UK base rate +3.5%	n/a
Property	8.00		
CBRE	8.00	IPD UK All Balanced Property Fund Index	+1
Total	100.00		+1.6**

* In practice may include separate regional equity and bonds for rebalancing purposes.

** Overall Fund Target – the overall performance target is calculated taking into account the weightings for each manager.

The target asset and manager allocation, associated benchmarks and performance targets at 31 March 2015 is shown below.

Asset Class	Weighting (%)	Market Benchmark Adopted	Target above benchmark (%)
UK Equity	23.00		
Majedie	11.50	FTSE All-Share index	+2
UBS	11.50	FTSE All-Share index	+2
Global Equity	41.00		
Newton	15.30	MSCI World AC	+2
Skagen	5.00	Benchmark agnostic (but MSCI World AC can be used as a guide for performance monitoring purposes)	n/a (assume 3% as a guide)
UBS	20.70	FTSE All World (inc EM)* Passive	n/a
Bonds	20.00		
Wellington UK Fixed Income	6.67 3.33	Merrill Lynch Sterling Broad Market Merrill Lynch Index-linked Gilts Index	+1
Wellington Global Total Return	5.00	Bank of America Merrill Lynch T-Bill Index +5%	n/a
Wellington Global Strategic Credit	5.00	No specific benchmark (but Barclays Global Aggregate Credit 1-5yr GBP Hedged Index can be used for performance monitoring purposes)	n/a
Diversified Growth	8.00		
Baillie Gifford	8.00	UK base rate +3.5%	n/a
Property	8.00		
CBRE	8.00	IPD UK All Balanced Property Fund Index	+1
Total	100.00		+1.6**

The values of actual manager allocations, the percentage of the Fund and variance from the target asset allocation at 31 March 2015 and 31 March 2016 are shown below:

31 March 2015			Asset Class	Manager	31 March 2016		
Market Value (£m)	(%)	Above/ (below) target (%)			Market Value (£m)	(%)	Above/ (below) target (%)
237	12.5	1.0	UK Equity	Majedie	216	11.6	0.1
217	11.5	0.0		UBS	203	10.8	-0.7
301.3	16.3	1.0	Global Equity	Newton	309.9	16.7	1.4
88.8	4.8	(0.2)		Skagen	86.9	4.7	-0.3
390.7	21.1	0.4	Passive Global Equity	UBS	554.1	29.9	9.2
159.8	8.6	(1.4)	Fixed Income	Wellington (Core Plus)	-	-	-
79.4	4.3	(0.7)		Wellington (Global Total Return)	79.8	4.3	-0.7
92.0	5.0	0.0		Wellington (Global Strategic Credit)	91.3	4.9	-0.1
147.9	8.0	0.0	Property	CBRE	174.3	9.4	1.4
142.1	7.7	(0.3)	Diversified Growth	Baillie Gifford	139.5	7.5	-0.5
1.4	0.1	0.1	Private equity	Catapult	1.2	0.1	0.1
1.9	0.1	0.1	Cash	Cash	2.4	0.1	0.1
1,849.7	100.0		Total		1855.8	100.0	

Performance monitoring

Investment manager performance is reviewed quarterly by the Pensions Investment Sub-Committee of the County Council. The Committee review a comprehensive quarterly performance report that includes the performance of each manager measured against benchmark and target and the actual asset allocation compared to the Fund's target allocation.

Investment Performance 2015-2016

Investment performance data comparing the Northamptonshire Pension Fund with other local authority funds and indices are shown in the table below:

% Returns per annum for the financial year ended 31 March 2016						
		The Fund	The Benchmark	Consumer Price Index	UK Average Weekly Earnings Index	Local Authority Average
2015-2016	1 year	0.2	0.6	0.6	1.9	0.2
2013-2016	3 years	6.8	6.4	0.7	2.7	6.4
2011-2016	5 years	7.4	7.0	1.7	1.7	7.1
2006-2016	10 years	5.0	5.7	2.4	2.3	5.6

(Source: WM Universe).

Investment Manager Performance for periods ending 2015-16

Asset Class/ Manager	1 Year (%)			3 Years (% pa)			10 Years (% pa)		
	Return	Bench- mark	Var- iance	Return	Bench- mark	Var- iance	Return	Bench- mark	Var- iance
UK Equity									
Majedie	(5.7)	(3.9)	(1.8)	7.2	3.7	3.5	8.8	4.7	4.1
UBS ¹	(5.8)	(3.9)	(1.9)	4.2	3.5	0.7	4.6	4.5	0.1
Global Equity									
Newton	2.9	(1.2)	4.1	9.4	7.5	1.9	n/a	n/a	n/a
Skagen	(2.1)	(0.6)	(1.5)	6.9	8.0	(1.1)	n/a	n/a	n/a
UBS Passive	(0.5)	(0.5)	0.0	8.0	8.2	(0.2)	n/a	n/a	n/a
Fixed Income									
UBS Index-linked	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Wellington (Global Total Return)	0.5	5.2	(4.7)	1.6	5.3	(3.7)	n/a	n/a	n/a
Wellington (Global Strategic Credit)	(0.8)	1.7	(2.5)	2.1	2.3	(0.2)	n/a	n/a	n/a
Diversified Growth Fund									
Baillie Gifford	(1.5)	4.0	(5.5)	2.5	4.0	(1.5)	n/a	n/a	n/a
Property									
CBRE	12.0	10.6	1.4	13.0	13.0	0.0	3.4	3.3	0.1

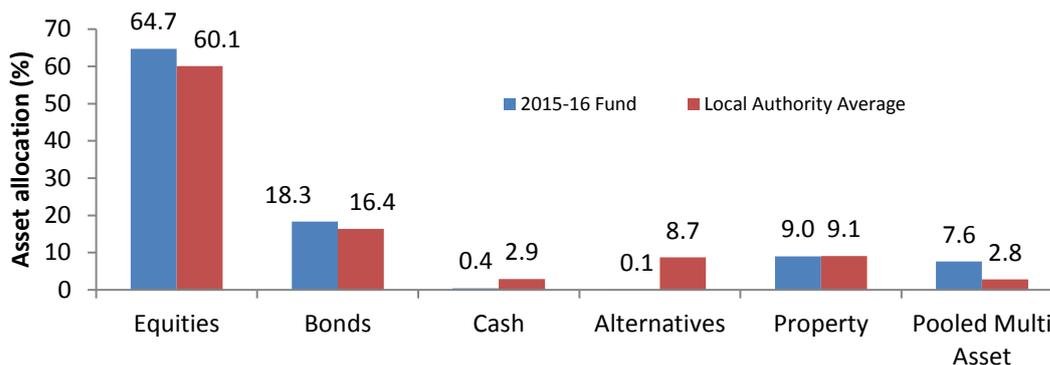
n/a = mandate has only been in force for part of this period therefore performance is not measurable.

Performance in comparison with Local Authority Universe

The Local Authority Universe is a national scheme consisting of over 90 Pension Funds. This scheme compares many aspects of Fund performance, the key areas of which are shown on the following pages.

The Fund participated in the WM Company's benchmarking of Local Authority investment performance, which provides useful information on how well the Fund has performed in comparison with other Local Authorities.

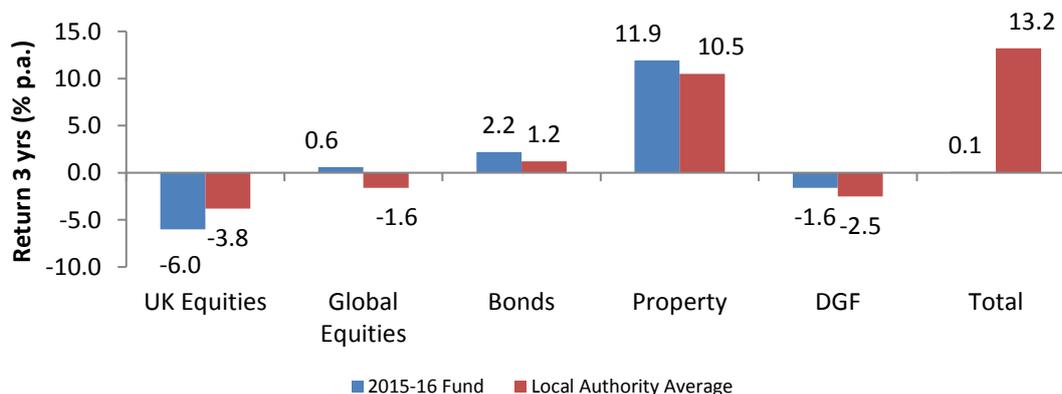
Asset Mix Compared to the Local Authority Universe



The graph shows that the Fund's asset mix is broadly comparable with the Local Authority Average, the main variances indicating the Fund's preference for equity and bonds, but disfavour of alternatives.

Investment Return Compared to Local Authority Universe

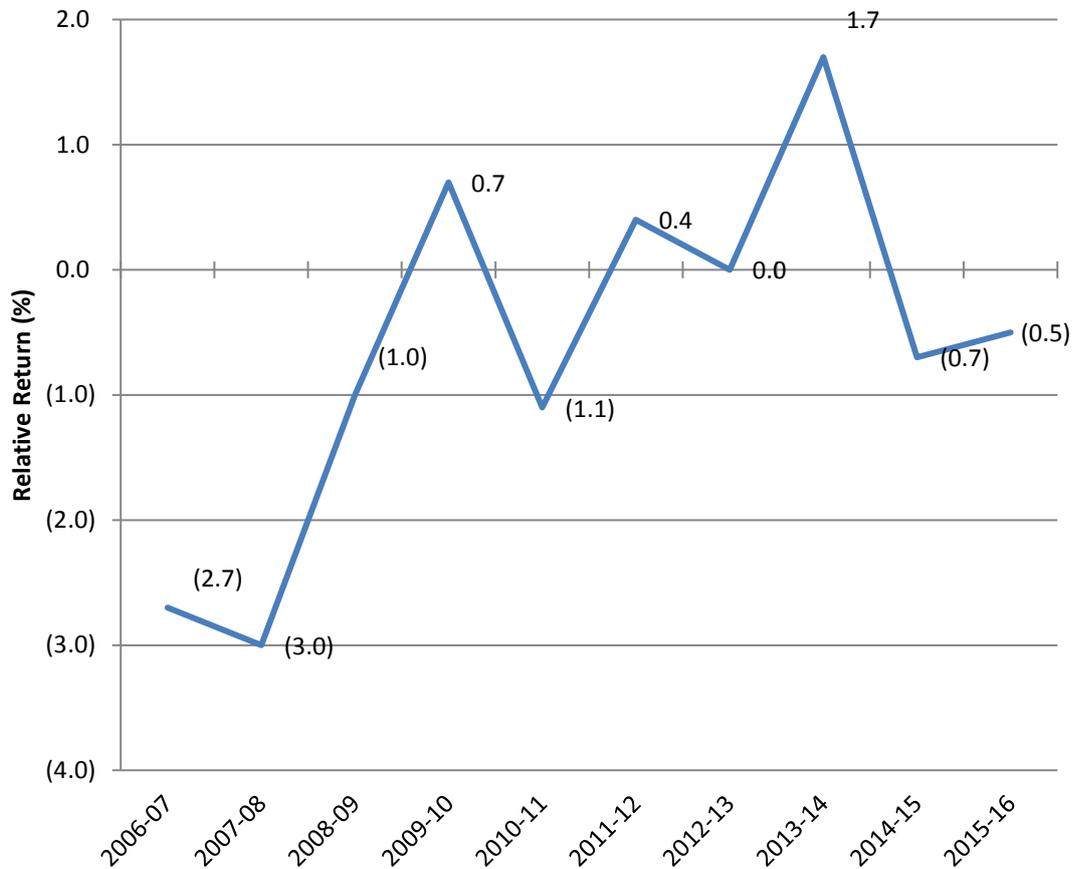
1 year return annualised



Year	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Annual Return (%)										
Total Fund	4.1	(5.7)	(20.7)	36.1	7.2	3.0	13.8	8.2	12.4	0.2
WM Benchmark	7.0	(2.8)	(19.9)	35.2	8.2	2.6	13.8	6.4	13.2	0.6

The table above compares the Fund's performance with the Local Authority Average for the ten years since 2006. The relative performance is shown graphically on the next page.

Fund Performance Relative To The Local Authority Universe



The graph demonstrates the volatility of annual return comparisons of Fund performance against the Local Authority Universe.

Of the ten years shown, the Fund has outperformed the Local Authority Average on three occasions, underperformed on six occasions and matched the average once.

Responsible Investment Policy

The Fund defines “responsible investment” as the “integration of environmental, social and corporate governance (ESG) considerations into investment management processes and ownership practices”.

The Fund recognises that effective management of ESG issues can enhance long-term financial performance of investments, and therefore ESG factors should be a feature of investment analysis and management. This aligns with the best interests of the Fund’s beneficiaries and is consistent with fiduciary duty.

The Fund only invests with reputable investment managers who have their own policies and procedures for considering ESG issues in day to day investment decisions as far as they are consistent with their primary obligation to meet performance targets. As well as responsibility to manage day-to-day investments decisions, the Fund has delegated voting rights on company resolutions to its

investment managers. Managers regularly report on their ESG activities, voting record and direct engagement on ESG issues with companies.

The Fund supports the UK Stewardship Code and expects the Fund's investment managers to comply with the UK Stewardship Code. The Fund has produced a Statement of Commitment to the UK Stewardship Code highlighting how the Fund is discharging its stewardship responsibilities which can be found in Appendix D of the Statement of Investment Principles which can be found in Appendix D to this report.

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF). This initiative enables the Fund to work with other investors to understand the impacts of ESG considerations on financial performance.

The Fund supports the Myners' Principles for good investment governance and has set out in Appendix E the Statement of Investment Principles (See Appendix D attached to this report), the policies in place, and actions taken to evidence compliance.

Custodian Services

Northern Trust has been the Fund's appointed Global Custodian since September 2000. The contract is reviewed regularly and Northern Trust were re-appointed as Custodian with effect from 1 October 2014 as the successful bidder in a competitive procurement process.

The responsibilities of the Global Custodian are:

- arranging for the custody of the Scheme's assets in compliance with the custody agreement;
- ensuring that all holdings have been registered as assets of the Fund.
- manage the settlement of all deals entered into by the fund managers, collect all dividends and coupons accruing to the Fund and to hold all cash;
- providing the administering authority with monthly valuations of the Scheme's assets and details of all transactions during the quarter; and
- providing details in a timely manner for performance reporting.

Independent Investment Advisor's Annual Investment Review 2015/16

Economic background

The previous financial year had ended strongly with all major developed markets delivering positive returns. Investor attention focused on the European (ex UK) and Japanese equity markets that were particularly strong helped by continued central bank intervention, modest valuations and falling Oil prices, which were seen as a net benefit in both regions. The US equity market that had lead the way over the previous year slowed as concerns over a strong dollar, slowing economic growth and disappointing corporate earnings caused nervousness for investors. As the financial year drew to a close bond markets continued to deliver strong returns. In the UK the dramatic fall in the Oil price helped further reduce inflationary pressures, which in turn delayed the prospect of rate rises and strengthened Gilts. US treasuries also strengthened, as the timing of the much-flagged Federal Reserve move on raising rates once again seemed to move further into the future. European yields moved into uncharted territory with almost a quarter of European sovereign bonds now trading at negative yields. Despite this encouraging end to the previous financial year, investment markets did not enjoy an untroubled time as the year moved on.

By the end of the first quarter of the financial year global markets had undergone a set back after a promising start. The relief rally following the decisive outcome of the UK general election was short lived and UK Equities fell over the quarter. Sterling however had been strong against all major currencies and this had turned a flat performance for the world index into a 5% decline for the un-hedged UK investor. Sterling strength was in part a response to the election result but also to weakness in the Euro which was suffering as real concerns emerged (once again) about Greece and the apparent breakdown of trust between the Greek government and its creditors, ahead of a possible third bail-out deal. This uncertainty coupled with increased concerns about a hard landing for the Chinese economy, not helped by extreme volatility in its domestic stock market, all weighed on investors minds. The prospects of rate rises in the US combined with a fully valued equity market did leave investors struggling to spot the next market leader in terms of performance. The Japanese economy that had been showing signs of progress lost momentum with manufacturing weakening, despite overall profitability improving due to Yen weakness. Much of the rest of Asia continued to struggle, as manufacturing demand remained weak. Commodity dependent economies in Latin America and Australia faltered in the wake of falling demand from China, which itself continues to make the difficult adjustment from an infrastructure spending, to consumer driven economy. After a period of very strong returns, bond markets retreated from the highs seen early in the quarter. During April, Switzerland made history by becoming the first government in history to sell ten-year bonds at a negative interest rate. However by the quarter end most bond markets had responded to the fall in US treasuries, itself a response to better than expected economic news, and retreated from the historic low yields seen earlier in the year.

The summer months proved to be particularly challenging for global equities and despite a slight recovery towards the quarter end, delivered the worse quarterly returns since 2011. The trigger for steep falls in markets during August was the decision by the Chinese authorities to devalue the Renminbi. This heightened fears already present; that the Chinese economy was in difficulty and possibly heading for a

hard landing. Bonds were the main beneficiaries of market nervousness, offering a safe haven status. The weakening economic growth story, zero inflation and deferred monetary tightening in the US all contributed to positive returns to bonds globally, including in the UK which along with the Eurozone was experiencing negative headline inflation rates. Within European bond markets, spreads narrowed once again as the Greek debt situation appeared to have stabilised, at least in the short term. UK Property had a strong quarter and was the best performing asset class over twelve months, with moderate signs of rental growth underpinning the yield contraction which had driven the positive returns in the recent past.

After a difficult summer and early autumn, global markets enjoyed a strong final quarter of the calendar year. Recovering all the lost ground that had occurred during the August sell off from equity markets ending the quarter up 9% in Sterling terms. Despite the rally into the year end, the fears that were the catalyst of the August fall still remained in the background and had not been resolved. A Chinese economic hard landing was still a concern for investors and even after the December's 0.25% rise in US rates, the trajectory of future rate hikes remained a concern for investors at the turn of the year. Over the calendar year 2015, Japanese and European equity along with UK property were the strongest asset classes with emerging markets and developed Asian equity the worst. There was a high degree of dispersion between stock markets. For example despite the strength seen in some areas, the markets in the commodity dependent economies of Latin American dropped by more than a quarter over the year. High yields markets had a very difficult final quarter with defaults rising particularly in commodity related areas, which were increasingly struggling to cope with the deteriorating pricing environment.

As we entered 2016 and the final quarter of the financial year global markets suffered another severe set back with falls of 20% or more from peak levels occurring by mid February, a figure which is often seen as bear market territory. Once again anxiety over the Chinese economy weighed heavily, with growing concerns about the future management of the Renminbi added to the mix of slowing growth and the health of the banking system. January also witnessed another slump in Oil prices with dramatic falls early in the month. So called safe haven assets from bonds to the Japanese Yen and even Gold enjoyed strong returns as investors dumped riskier assets. However in a now all too familiar roller coaster pattern, following this traumatic start to the year, equity markets sharply reversed and by the quarter end had recovered all their losses. From a Sterling investors perspective all major markets delivered positive returns helped in part by a weakening currency. The only exception being Japan which despite a positive contribution from the yen still finished the quarter in negative territory. The catalyst for this recovery was yet more central bank intervention coming from Europe, an economic stimulus package aimed at domestic demand in China and a softening in rhetoric from the Federal Reserve, which seemed to reduce both the number of predicted rate rises and delay the timing of any further moves. The resultant easing of pressure on the US dollar helped Oil and other commodity prices, which in turn eased the pressure on emerging markets. As the financial year came to a close and despite the strong rally seen in equity markets, bonds and gold held onto their early quarter gains indicating that at least in some investor minds the ability of central banks to underpin assets prices might be coming towards an end.

Market Returns

Financial market returns for 2015/16 were significantly poorer than over the previous financial year. Most major equity markets delivered negative returns with Europe (ex UK) and Japan the poorest performers in local currency terms down 11.7% and 12.2% respectively. Emerging markets had a difficult and volatile year and ending the period down 7.8% in local currency terms. The only exception to this negative trend in equity was North America; in local currency terms the market was close to flat but after some weakness in sterling, North American equity delivered a positive return of 3.6%. Sterling weakened against most major currencies over the year and this partially offset the negative returns for an un-hedged Sterling based investor. The double-digit losses in both continental Europe and Japan equity were substantially reduced in Sterling terms as it lost 9.3% and 8.7% against the Euro and Yen respectively. Given the level of uncertainty on Chinese growth, US interest rates and the falling Oil price it will come as no surprise that Bond markets were often seen as safe havens for investors. While most equity markets fell over the financial year global bonds produced positive returns. The UK Government bond index also rose delivering 3.2% return. After a spectacularly strong 2014-15 where they returned 20%, UK index linked Gilts produced a positive but more modest return of 1.7%. Once again the UK property market produced strong returns with the IPD index up 12.6%.

Fund Performance

The Northamptonshire County Council Pension Fund marginally underperformed the benchmark during the financial year 2015/16. The fund's total return of 0.2% was marginally behind the bespoke benchmark of 0.6%. The main driver of this slight underperformance was a disappointing return from active UK equity and a negative return from the diversified growth fund, which has an absolute return benchmark.

Despite the slight relative underperformance over one year the longer term performance against the benchmark remains strong. Over three years the Fund has returned 6.8% per annum ahead of the benchmark, which returned 6.4%. A major driver to returns being strong performance from active UK equities. Over five years the return is 7.4% per annum against a benchmark of 7.0% per annum. At the March 2013 actuarial valuation, the target return was set at 4.6% p.a. The Fund has achieved a return of 6.8% p.a. over this period, which is 2.2% ahead of target.

Economic and Market Outlook

The level of volatility in markets that was witnessed in the final quarter of the financial year reinforced the view that investors remain nervous and are easily spooked by any bad news emanating from China, Europe or the commodity markets. The outlook for earnings remains challenging with, unsurprisingly, energy companies showing the largest declines but financials and industrials are also struggling. There also appears no respite for the beleaguered commodities sector despite a very strong rally in Iron Ore prices towards the end of the period. In the short term nervousness over a possible 'Brexit' will affect the UK markets and in particular Sterling. In the event of a decision by the UK to leave the EU, the ramifications would be felt well beyond the shores of the UK. Losing one of the wealthiest and largest EU members would weaken confidence in the entire European project and bring to the fore internal

stresses that could prove damaging to both those countries in the EU and those closest to it.

Away from Europe, China's process of rebalancing from a primarily industrial economy to a more mixed service lead economy will continue to be both complex to manage and widely watched by the rest of the developed world. Over capacity and stubbornly high levels of debt remain problematic to the Chinese authorities as they continue to transform the economy. Despite the slowing rate of growth in recent years the sheer scale of the Chinese economy demands attention from investors globally and every policy move and data point will continue to be closely watched and interpreted. Investors are having to cope with a world where negative yields on sovereign bonds are becoming more and more common place, February saw the Japanese government sell 10 year bonds at negative implied interest rates for the first time. In Europe significant amounts of sovereign debt is trading at negative yields and the ECB now charges banks to hold their money over night. We continue to live in a low growth, low inflation world and periods of high volatility in equity, bond and commodity markets seem likely to be with us for the foreseeable future.

Strategic Asset Allocation

Given the nature of the liabilities that attach to the pension fund, it continues to adopt a long-term investment approach. The last actuarial review, carried out in 2013, indicated that the fund would be cash flow positive for many years to come. The 2016 review is now being carried out and cash flow projections will be updated following this review and any changes to assumptions will be factored into future investment policy. However the main investment priority is expected to remain focused on long-term return generation rather than short-term risk mitigation.

The current investment strategy, which is broadly unchanged from last year, seeks to achieve this by having a core allocation to equities within a strategically diversified overall portfolio. The target allocation to equities at 64% is broadly similar to the average Local Authority pension fund. A further 16% is invested in growth assets offering strategic diversification, split equally between property and a diversified growth fund. This leaves 20% invested in bonds, with half in UK index linked bonds managed passively and half in mandates that are less exposed to rising interest rates, such as Total Return and Multi-Strategy Credit.

The referendum on the 23rd of June resulted in a decision to begin the process of leaving the EU. The results came as a surprise to most investment markets, which were positioned for a narrow but clear victory for the 'Remain' camp. The UK equity market had enjoyed a modest rally ahead of the vote responding to polls showing 'Remain' consistently ahead. As the first results began to indicate a possible 'Brexit' Sterling began to fall sharply on the foreign exchange markets. The Friday after the result global markets lost \$2 trillion and Sterling fell to a 30 year low against the US dollar. European equity markets suffered amongst the largest falls as investors began to worry about potential 'Brexit' contagion threatening the entire European project. Increases to risk aversion drove safe haven assets higher with bond markets in the US, European and Asia trading higher. Even UK Gilts rallied despite warnings that the UK would lose its AAA status if it left the EU. Adding to this volatile and fast moving situation came the news that UK Prime Minister David Cameron would step down as a result of losing the referendum.

Despite the initial shock, the post 'Brexit' investment environment delivered something of positive surprise. Volatility has fallen back to levels prevalent before the vote. The UK has a new Prime Minister and Chancellor in place and the actual process and timing of leaving the EU remains to be decided. The FTSE 100 index that derives over 70% of its revenues in non-Sterling currencies has enjoyed a strong recovery, ending the June quarter up 5% and continuing to rally into July. Even the more domestically oriented FTSE250 has recovered all of its post referendum losses and is trading on twelve-month highs. The fall in sterling has boosted returns from overseas assets for un-hedged Sterling based investors, with double digit returns now seen year to date. In August The Bank of England lowered its UK GDP growth expectation and announced a 0.25% cut in interest rates, combined with a further £170bn stimulus package of more quantitative easing and measures aimed at stimulating bank lending.

From a pension fund standpoint most assets have enjoyed a strong rally since Brexit with UK commercial property being the only outlier on the negative side. Un-hedged overseas asset prices have received a boost from the fall in Sterling, as have many companies in the FTSE 100. Bonds have not given up their gains even as volatility had subsided. However this strength in Bond markets combined with interest rate cuts and further quantitative easing has further compressed yields and therefore increased the liabilities for pension funds, offsetting the gains made from the assets.

Mark Stevens

May 2016

Scheme Administration Report

Northamptonshire County Council is responsible for administering the Northamptonshire Pension Fund. LGSS, which is a partnership between Northamptonshire County Council and Cambridgeshire County Council, provides shared services to the two Councils including pensions administration for each Council's respective Pension Fund. The primary objective of LGSS Pensions is to provide an efficient and effective pensions administration service to the stakeholders of both Funds, utilising converged processes, shared resources and economies of scale. LGSS delivers pensions services to 46,884 Active members, 56,272 deferred members and 31,034 pensioner members.

Pension Fund Website

The LGSS Pensions dedicated website contains detailed information for all the Fund's stakeholders and has dedicated pages for members and employers, including a range of LGSS contact details. The information is regularly updated to ensure accuracy and there is a comprehensive suite of forms and factsheets for members, prospective members and employers.

Employer Self Service

Employer Self Service (ESS) gives employers access to the pensions database remotely and securely, allowing them to view, create and amend their employees' data, run reports and perform benefit calculations. Employers who have successfully used the system with no issues have been given direct access, allowing them to make live updates to pension records.

ESS continues to be promoted to employers to generate further efficiencies and has been embedded in to all training presentations, detailing the benefits associated with the system. ESS has been offered to all employers across the Northamptonshire Pension Fund since January 2015.

ESS was instrumental to our preparations for the 2016 Year End and Valuation processes as a tool allowing employers to perform data reconciliation ahead of the Year End returns being issued. This ensured that the data held by our employers was correct and up to date, reducing the number of errors and queries during year end.

ESS has also been promoted as the primary method for employers to obtain benefit estimates for their members. This is to assist the pensions section by reducing enquiries and to enable employers to run their own estimates and obtain estimates immediately, when they need them.

We have delivered a number of ESS training sessions to employers and to payroll providers such as EPM and Serco who provide services to a large number of employers.

Member Self Service

Member Self Service (MSS), allows members to securely access their own records held on the pensions database to view, amend their personal information, and obtain certain benefit estimates.

MSS has been used to generate further efficiencies and has been offered to all active members across the Northamptonshire Pension Fund. Annual Benefit statements for active members will be issued through MSS for the first time in 2016 statements, with only 200 members opting out of receiving them via this method.

We have actively promoted the use of MSS to our active members through direct mailings out, newsletters and promotion on our website. The direct mailing, distributed on the 2 April, increased the average emails received per week day, regarding MSS, by more than double from 23.5 emails per week day in March to 58.7 per week day in April.

MSS is also available to deferred members of the LGPS and we will continue to promote its uses for these members through the deferred members Annual Benefit statements distributed in 2015/2016.

i-Connect

i-Connect allows employers to securely upload payroll data to the pensions database on a monthly basis, ensuring accurate and timely record maintenance and providing a solution to the demands of automatic enrolment. LGSS Pensions has been working with its largest employers to implement i-Connect. Full implementation will achieve significant efficiencies for both the Fund and scheme employers.

During 2015/2016 Olympus Care Services and ten Academies began to use i-Connect.

LGSS Pensions has also agreed to use a new commercial model of i-Connect which will be rolled out to all major payroll providers over the following year, which will cover a large proportion of our employers and will have a significant impact in improving efficiency.

Internal Disputes Resolution Procedure

Safeguards for Scheme members are contained within the LGPS Regulations, which contain comprehensive complaints and disputes procedures. Members are able to seek redress through the Internal Disputes Resolution Procedure which allows access to a two-stage procedure in an attempt to bring a solution to any dispute. If the member or former member is still unhappy with the decision reached at stage two there is the right for the complainant to then lodge their grievance with the Pensions Ombudsman. At any stage a Scheme member has the right to direct their complaint to The Pensions Advisory Service (TPAS).

The following formal disputes have arisen and been resolved during 2015/16:

- One Stage 1 IDR case relating to an administering authority decision arose and was dealt with in 2015/16. The appeal was not upheld; it related to actual benefits being lower than estimated values provided.
- Two Stage 2 IDR cases relating to employing authority decisions arose in 2015/16, both relating to Scheme Employer's decisions not to grant early payment of deferred benefits on ill health grounds. One appeal was not upheld, the other was upheld, in so far as the case was to be referred to a different Independent Registered Medical Practitioner before the employer reviewed their decision.

Actuarial Report on Funds

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2013. This valuation revealed that the Fund's assets, which at 31 March 2013 were valued at £1,545m, were sufficient to meet 71% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2013 valuation was £646m.

Individual employers' contributions for the period 1 April 2014 to 31 March 2017 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the valuation report dated 31 March 2014.

The valuation report can be found at:

<http://pensions.northamptonshire.gov.uk/index.php/governance2/key-documents-forthe-northamptonshire-fund/>

Method

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

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value. The key financial assumptions adopted for the 2013 valuation were as follows:

Financial assumptions	31 March 2013	
	% p.a. Nominal	% p.a. Real
Discount rate	4.60%	2.10%
Pay increases	4.30%	1.80%
Price inflation/pension increases	2.50%	-

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI_2010 model, assuming the current rate of improvements has reached a peak and will converge to a long-term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current pensioners	22.3 years	24.3 years
Future pensioners	24.0 years	26.6 years

Copies of the 2013 valuation report and Funding Strategy Statement are available on request from Northamptonshire County Council, the administering authority to the Fund.

Experience over the period since April 2013

Experience has been worse than expected since the last formal valuation (excluding the effect of any membership movements). Real bond yields have fallen dramatically placing a higher value on liabilities. The effect of this has been only partially offset by the effect of strong asset returns. Funding levels are therefore likely to have worsened and deficits increased over the period.

The next actuarial valuation will be carried out as at 31 March 2016. The Funding Strategy Statement will also be reviewed at that time.



*Douglas Green FFA
Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP
12 May 2016*

Hymans Robertson LLP, 20 Waterloo Street, Glasgow, G2 6DB

Extract from the actuarial valuation report

Executive Summary

We have carried out an actuarial valuation of the Northamptonshire Pension Fund (“the Fund”) as at 31 March 2013. The results are presented in this report and are briefly summarised below.

Funding position

The table below summarises the financial position of the Fund at 31 March 2013 in respect of benefits earned by members up to this date.

Past Service Position	31 March 2010 (£m)	31 March 2013 (£m)
Past Service Liabilities	1,651	2,191
Market Value of Assets	1,206	1,545
Surplus/(Deficit)	(445)	(646)
Funding Level	73.0%	70.5%

The increase in deficit reflects the adverse conditions which the Fund has had to contend with since the previous valuation. In particular, the decrease in the real gilt yield has increased the value placed on the Fund’s liabilities.

Contribution rates

The table below summarises the average employer contribution rate that would be required, based on this triennial valuation.

Contribution Rates	31 March 2010 (% of pay)	31 March 2013 (%of pay)
Employer future service rate (incl. expenses)	16.2%	19.8%
Past Service Adjustment (20 year spread)	8.4%	12.3%
Total employer contribution rate (incl. expenses)	24.6%	32.1%
Employee contribution rate	6.5%	6.2%
Expenses	0.8%	0.9%

Again, the increase in the total employer contribution rate is primarily due to the decrease in the real gilt yields which has increased both the employer future service rate and the past service adjustment.

The common contribution rate is a theoretical figure – an average across the whole Fund. In practice each employer that participates in the Fund has its own underlying funding position and circumstances, giving rise to its own contribution rate requirement. The minimum contributions to be paid by each employer from 1 April 2014 to 31 March 2017 are shown in the Rates and Adjustment Certificate.

Governance Policy and Compliance Statement

It is a requirement for the Administering Authority to publish a Governance Policy and Compliance Statement since the Local Government Pension Scheme (Administration) Regulations 2008 came into force and this remains the case following the enactment of the Local Government Pension Scheme Regulations 2013 (under regulation 55).

The Governance Policy and Compliance Statement incorporates a statement on how compliant the Administering Authority is against a set of best practice principles issued by Communities and Local Government in 2008. The compliance statement is intended to ensure transparency, accountability and stakeholder involvement.

The Governance Policy and Compliance Statement was last updated in January 2013 and can be found on the Northamptonshire Pension Fund website, <http://pensions.northamptonshire.gov.uk> and in appendix A of this report.

The Governance Policy and Compliance Statement was reviewed in June 2015 and has been published on the Funds website.

The activities of the Fund are controlled by the County Council's Pension Fund Committee. The Local Pension Board has the responsibility ensure the effective and efficient governance and administration of the LGPS.

The Pension Fund Committee consists of the following representatives:

Representing	No.
Northamptonshire County Council (County Councillors)	7
All other Local Authorities, Police and Fire	2
All other employers	2
Active Scheme members	1
Deferred and Pensioner Scheme members	1
Total	13

Operational investment matters are dealt with by the Investment Sub-Committee which consists of the following representatives:

Representing	No.
Northamptonshire County Council (County Councillors)	4
All other employers	2
Scheme members	1
Total	7

All members have equal voting rights.

The Pensions Committee meets 4 times a year and holds an Annual Meeting each July. The Investment Sub-Committee meets 4 times a year.

The following table shows the attendance of committee members at both the Pensions Committee and Investment Sub-Committee meetings during 2015-16.

		Attendance at Pension Fund Committee Meetings	Attendance at Investment Sub-Committee Meetings
County Council Members	Cllr G Lawman	5/5	4/4
	Cllr J Hakewill	5/5	4/4
	Cllr M Brown	3/5	4/4
	Cllr B Glynane	4/5	N/A
	Cllr R Roberts	3/5	1/4
	Cllr B Scott	5/5	3/4
	Cllr M Longley	3/5	N/A
District/Borough /Police and Fire Representatives	Cllr C Long	2/2	2/2
	Cllr R Lewis	4/5*	N/A
All Other Employers' Representatives	Roger Morris	4/5	3/4
	Alicia Bruce	3/5	N/A
Member Representatives	Peter Borley-Cox	4/5	2/4
	Josie Mason	3/5	N/A

*2 attendances were in a substitute capacity.

The Local Pension Board consists of the following representatives:

Representing	No.
Scheme Employers	3
Scheme Members	3
Total	6

The Local Pension Board meets at least twice per year and reports its activities at the end of each financial year to full Council. It has no decision making ability and there are no substitute members

The following table shows the attendance of Local Pension Board members during 2015-16.

		Attendance at Local Pension Board Meetings
Scheme Employers	Cllr A Matthews	4/4
	Cllr M Scrimshaw	1/4
	Audra Statham	3/4
Scheme Representatives	Paul Evans	4/4
	Penny Smith	3/4
	Nina Thomas	3/4

Pensions Administration Strategy Report

The Fund's Pensions Administration Strategy is produced in accordance with Regulation 59 of the Local Government Pension Scheme Regulations 2013. The Regulations provide that administering authorities may prepare, maintain and publish a written statement setting out their policy concerning administration matters, and the administering authority and its employing authorities must then have regard to that strategy when carrying out their functions.

The Regulations also require that the administering authority should consult with its employing authorities (and any other persons it considers appropriate) in preparing or reviewing its administration strategy.

In addition, regulation 70 of the Local Government Pension Scheme Regulations 2013 allows an administering authority to recover additional costs from a scheme employer where, in its opinion, they are directly related to the poor performance of that scheme employer. Where this situation arises the administering authority is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

The current Pensions Administration Strategy was approved by the Pension Fund Committee in October 2014, followed by a 30 day consultation period with the Scheme's employers. This is due to be reviewed again during the 2016/17 financial year. The strategy is published on the LGSS Pensions website and can be found in Appendix B of this report.

To reinforce the importance of the Pensions Administration Strategy, regular employer forums are held to communicate the performance against agreed standards. Examples of the key performance indicators that are measured are detailed below:

Service Standard	Target (working days)
The provision of named pension contacts for the scheme employer	30 working days
Scheme employers must have published Employer Discretions, accessible to all employees and a copy provided to LGSS Pensions	Within 30 working days of approval
Accurate year end information must be provided for all scheme members	By 30 April

During 2015-16 the Fund did not exercise its powers to recover additional costs from scheme employers.

Funding Strategy Statement

The Fund is required to ensure that sufficient funds are available not only to meet its current liabilities, but also to make advance provision of accruing future liabilities. Decisions taken regarding the approach to funding will therefore determine the rate or pace at which this advance provision is made, in addition to the need to ensure sufficient funds are available for its current liabilities.

Although the regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the administering authority, acting on the professional advice provided by the actuary.

The purpose of this Funding Strategy Statement is:

- To establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- To support the regulatory requirement to maintain as nearly constant employer contribution rates as possible; and
- To take a prudent longer-term view of funding those liabilities.

This strategy is both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the administering authority to implement and maintain.

The Funding Strategy Statement is reviewed in line with the valuation cycle to ensure that the strategy is appropriate and relevant.

In 2015-16, contribution increases were implemented in accordance with the Statement to the Rates and Adjustments Certificate attached to the 2013 valuation of the Fund.

New admitted bodies are admitted into the Scheme in accordance with the Funding Strategy Statement and the Admission Bodies, Scheme Employers and Bulk Transfer Policy which was reviewed and updated in October 2015 -

<http://pensions.northamptonshire.gov.uk/wp-content/uploads/2012/11/Northamptonshire-Admitted-body-Scheme-employer-and-bulk-TV-policy-Final-2015.pdf>

During 2015-16 one new bond provision was put in place and five new guarantor agreements as security for the Fund.

The Funding Strategy Statement was updated in March 2014 and can be found on the Northamptonshire Pension Fund website, <http://pensions.northamptonshire.gov.uk> and in Appendix C of this report.

Statement of Investment Principles

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, which came into force on 1 January 2010, require an administering authority, after consultation with such persons as it considers appropriate, to prepare, maintain and publish a written statement of the principles governing its decisions about the investment of scheme money.

The statement must also state the extent to which the administering authority complies with guidance given by the Secretary of State, and, to the extent the authority does not comply, the reasons for not complying.

The statement must be reviewed and if necessary, revised, by the administering authority from time to time and, in the case of any material change in the authority's policies or breach of compliance, within six months of such change. To meet these requirements the Pensions Committee usually review the SIP each July.

The purpose of this document is to satisfy the requirements of these regulations. In addition, Local Government Pension Scheme (England and Wales) (Amendment) Regulations 2004 came into effect 1 April 2004, requiring administering authorities to publish a Funding Strategy Statement (FSS). The FSS must have regard to the Statement of Investment Principles (SIP). This document contains reference to the FSS for information.

The statement is required to state the extent to which the administering authority is compliant with the guidance given by the Secretary of State and also the extent the authority does not comply and if so, the reasons for non compliance. Currently the SIP compliance rating is deemed "fully compliant".

The Statement of Investment Principles was reviewed and approved by the Pensions Committee in July 2015. The SIP that was in force in 2015-16 can be found on the Northamptonshire Pension Fund website, <http://pensions.northamptonshire.gov.uk> and in Appendix D of this report.

Communication Policy Statement

The Communications Policy is guided by the standards set out in regulation 61 of the Local Government Pension Scheme Regulations 2013.

These Regulations require administering authorities to:

- prepare, maintain and publish a written statement setting out their policy concerning communications with:
 - Scheme members
 - representatives of Scheme members
 - prospective Scheme members
 - employing authorities;
- set out their policy on:
 - the provision of information and publicity about the Scheme to members, representatives of members and employing authorities
 - the format, frequency and method of distributing such information or publicity
 - the promotion of the Scheme to prospective members and their employing authorities; and
- keep the statement under review and make such revisions as are appropriate following a material change in the policy on any of the matters mentioned below and if revisions are made, publish a revised statement.

The current Communications Strategy was approved by the Pensions Committee in October 2014. This is due to be reviewed again during the 2016/17 financial year.

The policy is published on the LGSS Pensions website and can be found as Appendix B to this report.

In line with the Communications Policy the Fund's website has dedicated sections that provide up to date and detailed information for members, prospective members and employers.

Communications with the Scheme's employers take place on a regular basis through the use of bulletins which cover subjects ranging from changes to reporting procedures and notification of new employee contribution rate bandings to be applied.

The Fund delivers training and workshops for scheme employers on topics such as employers' responsibilities in the Fund and dealing with ill health retirements.

Pre-retirement presentations are regularly delivered, normally at the request of the scheme employer and at the employer's establishment to allow ease of access for Scheme members.

Any Other Appropriate Material

A summary of the number of employers in the Fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some outstanding liabilities), as at 31 March 2016.

	Active	Ceased	Total
Scheduled body	175	0	175
Admitted body	63	3	66
Designated body	25	3	28
Total	263	6	269

An analysis of fund assets as at 31 March 2016.

	UK	Non-UK	Global	Total
	£m	£m	£m	£m
Equities	200.3	86.9	1,219.6	1,506.8
Bonds	-	-	171.1	171.1
Property - direct holdings	-	-	-	-
Alternatives	174.3	-	-	174.3
Cash and cash equivalents	2.4	-	-	2.4
Other	-	-	-	-
Total	377.0	86.9	1,390.7	1,854.6

An analysis of investment income accrued as at 31 March 2016

	UK	Non-UK	Global	Total
	£'000	£'000	£'000	£'000
Equities	8,431	-	14,409	22,840
Bonds	-	-	3,323	3,323
Property - direct holdings	-	-	-	-
Alternatives	5,260	-	-	5,260
Cash and cash equivalents	268	-	-	268
Other	-	-	-	-
Total	13,959	-	17,732	31,691



Independent auditor's report to the Members of the Northamptonshire County Council Pension Fund (the "Authority") on the pension fund financial statements published with the Pension Fund Annual Report

We have examined the pension fund financial statements for the year ended 31 March 2016 on pages 61 to 91.

Respective responsibilities of the Financial Officer and the auditor

As explained more fully in the Statement of the *Financial Officer's* Responsibilities the *Financial Officer* is responsible for the preparation of the pension fund financial statements in accordance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements included in the *Pension Fund Annual Report* with the pension fund financial statements included in the annual published statement of accounts of Northamptonshire County Council, and their compliance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

In addition, we read the information given in the *Pension Fund Annual Report* to identify material inconsistencies with the pension fund financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our report on the administering authority's annual published statement of accounts describes the basis of our opinion on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent with the pension fund financial statements included in the annual published statement of accounts of Northamptonshire County Council for the year ended 31 March 2016 and comply with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We have not considered the effects of any events between the date we signed our report on the full annual published statement of accounts 29 September 2016 and the date of this report.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- the information given in the Pension Fund Annual Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters relating to the pension fund have been reported in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit.

We have nothing to report in respect of these matters.

Andrew Cardoza

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

8th Floor, One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

28 November 2016

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Fund Account, Net Assets Statement and Notes

Introduction to the accounts

The following comprises the Statement of Accounts for the Northamptonshire Local Government Pension Scheme (The Fund). The accounts cover the financial year from 1 April 2015 to 31 March 2016.

These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting ('Code of Practice') in the United Kingdom 2015-16 based on International Financial Reporting Standards (IFRS) as published by the Chartered Institute of Public Finance and Accountancy. The accounts have been prepared on an accruals basis. They do not take account of liabilities to pay pensions and other benefits in the future.

The accounts are set out in the following order:

Fund Account which discloses the size and nature of financial additions to and withdrawals from the Fund during the accounting period and reconciles the movements in the net assets to the Fund Account.

Net Assets Statement which discloses the size and disposition of the net assets of the Fund at the end of the accounting period.

Notes to the Accounts which gives supporting accounting policies, detail and analysis concerning the contents of the accounts, together with information on the establishment of the Fund, its membership and actuarial position.

Fund Account for the year ended 31 March 2016

2014-15 £000		Notes	2015-16 £000
	Dealings with members, employers and others directly involved in the Fund		
(91,846)	Contributions	7	(97,993)
(3,634)	Transfers in from other Pension Funds	8	(2,042)
(95,480)			(100,035)
76,785	Benefits	9	82,713
38,684	Payments to and on account of leavers	10	4,447
115,469			87,160
19,989			(12,875)
7,596	Management expenses	11	7,750
	Returns on investments		
(30,502)	Investment income	12	(32,241)
56	Taxes on income	13	50
(178,163)	(Profit) and losses on disposal of investments and changes in the market value of investments	15a	30,924
(208,609)	Net return on investments		(1,267)
(181,024)	Net (increase)/decrease in the net assets available for benefits during the year		(6,392)

Notes on pages 64 to 92 form part of the financial statements.

Net Assets Statement as at 31 March 2016

2014-15		Notes	2015-16
£000			£000
1,832,628	Investment assets	15	1,829,065
19,409	Cash deposits	15	28,978
1,852,037			1,858,043
(2,297)	Investment liabilities	15	(2,234)
1,849,740			1,855,809
16,551	Current assets	20	18,622
(1,657)	Current liabilities	21	(3,405)
14,894	Net Current Assets		15,217
1,864,634	Net assets of the Fund available to Fund benefits at the period end		1,871,026
1,683,610	Opening net assets as at 1 April		1,864,634
181,024	Net increase/(decrease) in the net assets available for benefits during the year		6,392
1,864,634	Closing net assets as at 31 March		1,871,026

Notes on pages 64 to 92 form part of the financial statements.

Notes to the Accounts

1 Description of the Fund

The Northamptonshire Pension Fund (“the Fund”) is part of the Local Government Pension Scheme and is administered by Northamptonshire County Council. The County Council is the reporting entity for this Pension Fund.

The following description of the Fund is a summary only. For more detail, reference should be made to the Northamptonshire Pension Fund Annual Report 2015-16 and the underlying statutory powers underpinning the scheme, namely the Public Services Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

The Fund is governed by the Public Services Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the LGPS Regulations 2013 (as amended);
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended);
- the LGPS (Management and Investment of Funds) Regulations 2009 (as amended).

It is a contributory defined benefit pension scheme administered by Northamptonshire County Council to provide pensions and other benefits for pensionable employees of Northamptonshire County Council, the district councils in Northamptonshire County and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Northamptonshire Pensions Committee which is a committee of Northamptonshire County Council.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Northamptonshire Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

As at 31 March 2016 there are 263 (2015: 217) employer organisations within Northamptonshire Pension Fund including the County Council itself, an increase of 46, as detailed over the page:

	31 March 2015	31 March 2016
Number of employers with active members	217	263
Number of employees in scheme		
County Council	8,123	7,708
Other Employers	11,284	12,432
Total	19,407	20,140
Number of Pensioners		
County Council	7,790	7,919
Other Employers	6,631	6,946
Total	14,421	14,865
Deferred Pensioners		
County Council	15,103	15,451
Other Employers	8,274	9,932
Total	23,377	25,383
Total Membership	57,205	60,388

c) Funding

Benefits are funded by contributions and investment earnings. Currently the level of contribution income is sufficient to fund regular benefit payments. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 (as amended) 2007 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2016. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2013. Employers' contributions comprise a percentage rate on active payroll between 11% and 25.1% and deficit payments of fixed cash amounts set for each employer, as part of the triennial funding valuation.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS are based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	Service from 1 April 2008 to 31 March 2014
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary
Lump Sum	Automatic lump sum of 3 x pension. In addition, part of the annual pension can be exchanged for a one off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

e) Career Average Revalued Earnings (CARE) scheme

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index.

There are a range of other benefits provided under the Scheme including early retirement, disability pensions and death benefits.

For more details, please refer to the Northamptonshire Pension Fund scheme handbook available from LGSS Pension Services based at John Dryden House, Northampton or online at pensions.northamptonshire.gov.uk

2 Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2015-16 financial year and its position at year end as at 31 March 2016. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2015-16* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

3 Summary of Significant Accounting Policies

Fund account – revenue recognition

a) Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due date on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year are calculated in accordance with the Local Government Pension Scheme Regulations (see notes 8 and 10).

Individual transfers in/out are accounted for on an accruals basis, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see Note 8).

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

c) Investment income

i) Interest 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. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iv) Movement in the net market value of investments

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

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.

e) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

f) Management expenses

All expenses are accounted for on an accruals basis. All staff and associated costs of the pension's administration team are charged to the Fund. Management, accommodation and other overheads are apportioned and charged as expenses to the Fund in accordance with Council policy.

All oversight and governance expenses are accounted for on an accruals basis

g) Investment management expenses

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

In addition the Fund has negotiated with the following managers that an element of their fee be performance related:

- Wellington Management International Limited
- Baillie Gifford & Co
- Skagen Funds
- CBRE Global Investment Partners Limited
- Majedie Asset Management Limited
- Newton Investment Management Limited

Performance related fees incurred in the year are shown in Note 14.

Where an investment manager's fee note has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund account.

The cost of obtaining investment advice from external consultants is included in investment support costs.

A proportion of the Council's costs representing management time spent by officers on investment management are also charged to the Fund.

h) Financial assets

Financial assets are included in the Net Assets Statements 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 as follows:

- Market quoted investments

The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

- Fixed interest securities

Fixed interest securities are recorded at net market value based on their current yields.

- Unquoted investments

The fair value of investments for which market quotations are not readily available is determined as follows:

- Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the Council expects to receive on wind up, less estimated realisation costs.
- Securities subject to takeover offer – the value of the consideration offered under the offer, less estimated realisation costs.
- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the Fund manager.
- Investments in private equity funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective Fund Managers in accordance with the International Private Equity and Venture Capital Valuation Guidelines 2012. Limited partnerships

- Limited partnerships

Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

- Pooled investment vehicles

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the Fund, net of applicable withholding tax.

i) Foreign currency transactions

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, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

j) Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in change in market value.

The value of futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.

The future value of forward currency contracts is based on market forward exchange rates at the year end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract.

k) Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

l) Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

m) Contingent Liabilities

Provisions are measured at the best estimate (including risks and uncertainties) of the expenditure required to settle the present obligation, and reflects the present value of expenditures required to settle the obligation where the time value of money is material.

n) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme 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 statement (Note 19).

o) Additional voluntary contributions

Northamptonshire Pension Fund provides an additional voluntary contributions (AVC) scheme option for scheme members, the assets of which are invested separately from those of the Pension Fund by the AVC provider. The Fund has appointed Prudential and Standard Life as its AVC providers. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 22).

4 Critical Judgements in applying Accounting Policies

Unquoted private equity investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers using guidelines set out by the British Venture Capital Association. The value of unquoted private equities at 31 March 2016 was £1.2m (31 March 2015: £1.4m).

Pension Fund liability

The Pension Fund liability is calculated every three years by the Fund's appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 18. This estimate is subject to significant variances based on changes to the underlying assumptions.

5 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Net Assets Statement at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rates at which salaries and pensions are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. An independent firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £185 million. A 0.25% increase in assumed earnings inflation would increase the value of liabilities by approximately £25million, and a one year increase in assumed life expectancy would increase the liability by approximately £61million.
Private equity	Private equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £1.2 million. There is a risk that this investment may be under or overstated in the accounts.
Investment Assets	Different pricing methods can be used by the Custodian and the Fund Manager, which can result in different valuations of the assets.	The Custodian reconciles to the Fund Manager to 20 basis points.

6 Events After the Balance Sheet Date

There have been no events since 31 March 2016, and up to the date when these accounts were authorised that require any adjustments to these accounts.

7 Contributions Receivable

By category

2014-15 £000	2015-16 £000
73,100 Employers	78,650
18,746 Members	19,343
91,846 Total	97,993

By authority

2014-15 £000	2015-16 £000
31,702 Northamptonshire County Council	29,176
52,259 Scheduled Bodies	60,325
7,885 Admitted Bodies	8,492
91,846 Total	97,993

8 Transfers In From Other Pension Funds

2014-15 £000	2015-16 £000
3,634 Individual transfers	2,042
3,634 Total	2,042

9 Benefits Payable

By category

2014-15 £000	2015-16 £000
62,538 Pensions	66,217
11,746 Commutation and lump sum retirement benefits	15,109
2,501 Lump sum death benefits	1,387
76,785 Total	82,713

By authority

2014-15 £000	2015-16 £000
34,746 Northamptonshire County Council	29,176
37,407 Scheduled Bodies	47,407
4,632 Admitted Bodies	6,130
76,785 Total	82,713

10 Payments To and On Account of Leavers

2014-15 £000	2015-16 £000
80 Refunds to members leaving service	219
42 Payments for members joining state scheme	38
30,450 Group transfers	2,502
8,112 Individual transfers	1,688
38,684 Total	4,447

Individual transfers are dependent on individuals having an approved pension arrangement to transfer their LGPS benefits to after leaving the Northamptonshire Fund and also the relative merits of that destination arrangement in comparison with the LGPS. The current financial climate reduces the opportunity for individuals to join secure pension schemes to which they may wish to transfer their accrued LGPS benefits.

Refunds to members leaving services are extremely sensitive to fluctuations as a result of the small relative value. A lack of new staff would contribute to a reduced figure as would the raising of general pensions awareness through the automatic enrolment campaign.

Group transfers in 2014-15 represent a payment in March 2015 in connection with the transfer of the administration of pensions for the Probation Service to the Greater Manchester Pension Fund.

11 Management Expenses

2014-15 £000	2015-16 £000
1,934 Administrative costs	1,851
5,331 Investment expenses (Note 14)	5,750
331 Oversight and governance costs	149
7,596 Total	7,750

12 Investment Income

2014-15 £000	2015-16 £000
491 Fixed interest securities	90
20,774 Equities	22,219
3,535 Pooled investments	5,795
5,408 Pooled property investments	3,596
117 Interest on cash deposits	91
Other (includes stock lending and commission recapture)	450
30,502 Total	32,241

13 Taxes on Income

2014-15 £000	2015-16 £000
56	50
56 Total	50

14 Investment Expenses

2014-15 £000	2015-16 £000
5,212	5,665
119	85
5,331 Total	5,750

Management fees include performance related fees of £2.6m in 2015-16 (2014-15: £2.2m).

15 Investments

Market value 31 March 2015 £000	Market value 31 March 2016 £000
Investment assets	
54,147	-
704,743	677,033
916,894	971,588
150,173	174,032
1,432	1,173
Derivative contracts:	
249	-
19,409	28,979
3,515	4,238
1,475	1,000
1,852,037	1,858,043
Investment liabilities	
Derivative contracts:	
(221)	(121)
(2,074)	(2,113)
(2)	-
(2,297)	(2,234)
1,849,740	1,855,809

15a: Reconciliation of movements in investments and derivatives

	Market value 1 April 2015	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2016
	£000	£000	£000	£000	£000
Index-linked securities	54,147	307	(52,497)	(1,957)	-
Equities	704,743	155,000	(142,792)	(39,918)	677,033
Pooled investments	916,894	300,516	(243,750)	(2,072)	971,588
Pooled property investments	150,173	18,800	(8,641)	13,700	174,032
Private equity/ infrastructure	1,432	243	(537)	35	1,173
	1,827,389	474,866	(448,217)	(30,212)	1,823,826
Derivative contracts:					
• Forward currency contracts	28	1,152	(699)	(602)	(121)
• Spot currency contracts	(2)	235	(222)	(11)	-
	1,827,415	476,253	(449,138)	(30,825)	1,823,705
Other investment balances:					
• Cash deposits	19,409			(104)	28,979
• Amounts receivable for sales of investments	1,475			-	1,000
• Investment income due	3,515			5	4,238
• Amounts payable for purchases of investments	(2,074)				(2,113)
Net investment assets	1,849,740			(30,924)	1,855,809

Transaction costs are included in the cost of purchases and in sale proceeds. They include costs charged directly to the Fund, such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year total £690k (2014-15: £896k). In addition to these costs, indirect costs are incurred through the bid offer spread on investments within pooled investments.

15a: Reconciliation of movements in investments and derivatives (continued)

	Market value 1 April 2014	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2015
	£000	£000	£000	£000	£000
Index-linked securities	45,678	2,978	(2,544)	8,035	54,147
Equities	646,422	215,304	(215,014)	58,031	704,743
Pooled investments	821,361	37,631	(35,552)	93,454	916,894
Pooled property investments	113,051	32,228	(12,839)	17,733	150,173
Private equity/ infrastructure	1,523	121	(63)	(149)	1,432
	1,628,035	288,262	(266,012)	177,104	1,827,389
Derivative contracts:					
• Futures	20	-	(129)	109	-
• Forward currency contracts	51	312	(1,514)	1,179	28
• Spot currency contracts	-	35	-	(37)	(2)
	1,628,106	288,609	(267,655)	178,355	1,827,415
Other investment balances:					
• Cash deposits	31,471			(190)	19,409
• Amounts receivable for sales of investments	1,397			5	1,475
• Investment income due	2,787			-	3,515
• Amounts payable for purchases of investments	(3,914)			(7)	(2,074)
Net investment assets	1,659,847			178,163	1,849,740

15b: Analysis of investments (excluding derivative contracts)

31 March 2015 £000		31 March 2016 £000
	Index-linked securities	
	UK	
54,147	Public sector quoted	-
54,147		-
	Equities	
	UK	
395,956	Quoted	383,043
	Overseas	
308,787	Quoted	293,990
704,743		677,033
	Pooled funds – additional analysis	
	UK	
-	Fixed income unit trust	164,764
160,832	Equity	19,932
160,832		184,696
	Overseas	
276,515	Fixed income unit trust	171,092
479,497	Equity	615,746
756,012		786,838
	Other pooled funds	
150,173	Pooled Property Investments	174,032
1,432	Venture Capital	1,173
50	Cash funds	54
151,655		175,259
	Investment Assets	
249	Derivatives	-
19,409	Cash deposits	28,979
3,515	Investment income due	4,238
1,475	Amounts receivable from sales	1,000
1,852,037	Total Investment Assets	1,858,043
	Investment Liabilities	
(221)	Derivatives	(121)
(2,074)	Amounts payable for purchases	(2,113)
(2)	Amounts payable for pending spot FX	-
(2,297)	Total Investment Liabilities	(2,234)
1,849,740	Net Investment Assets	1,855,809

Analysis of derivatives

Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement between the Fund and the various investment managers.

Forward foreign currency

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a portion of the Funds quoted equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the Fund has a passive currency programme in place managed by the Fund managers.

There is no specified requirement to use currency hedging within the Fund's Investment Management Agreements. Instead, the Fund managers use their discretion as to whether or not any currency hedging should be used to mitigate any potential risk.

Settlement	Currency bought	Local Value	Currency sold	Local Value	Asset Value	Liability Value
		Currency 000s		Currency 000s	£000	£000
Up to one month	GBP	2,697	EUR	(3,525)	-	(99)
One to six months	GBP	1,551	EUR	(1,979)	-	(22)
Total					-	(121)
Net forward currency contracts at 31 March 2016						(121)
Prior Year Comparative						
Open forward currency contracts at 31 March 2015					249	(221)
Net forward currency contracts at 31 March 2015						28

Investments analysis by Fund manager

Market value 31 March 2015			Market value 31 March 2016	
£000	%		£000	%
603,451	32.6	UBS	754,425	40.7
301,308	16.3	Newton	309,867	16.7
231,685	12.5	Majedie	216,106	11.6
147,852	8.0	CBRE	174,348	9.4
331,208	17.9	Wellington	171,092	9.2
142,161	7.7	Baillie Gifford	139,449	7.5
88,780	4.8	Skagen	86,907	4.7
1,432	0.1	Catapult	1,173	0.1
1,863	0.1	Cash	2,442	0.1
1,849,740	100.0		1,855,809	100.0

All the above companies are registered in the United Kingdom.

The following investments represent more than 5% of the net assets of the scheme

Security	Market value 31 March 2015 £000	% of total Fund	Market value 31 March 2016 £000	% of total Fund
UBS Life World Equity Tracker	355,364	19.1	355,956	19.0
UBS Over 5 Year Index Linked Gilt	-	-	164,764	8.8
Baillie Gifford Diversified Growth Fund	142,160	7.6	139,449	7.5
Wellington Sterling Core Bond Plus Portfolio GBP	105,101	5.6	-	-

15c: Stock lending

The Fund strategy statement sets the parameters for the Fund's stock lending programme. At the year end, the value of quoted equities on loan was £40.7m (31 March 2015: £67.7m). These equities continue to be recognised in the Fund's financial statements.

Counterparty risk is managed through holding collateral at the Fund's Custodian. At 31 March 2016, the Custodian held collateral at fair value of £44.2m (31 March 2015: £74.6m). Collateral consists of acceptable securities and Government debt.

Stock lending commissions are remitted to the Fund via the Custodian. During the period the stock is on loan, the voting rights of the loaned stock pass to the borrower.

There are no liabilities associated with the loaned assets.

16b: Net gains and losses on financial instruments

Market value 31 March 2015 £000		Market value 31 March 2016 £000
	Financial Assets	
177,104	Fair value through profit and loss	(30,212)
5	Loans and receivables	(115)
	Financial liabilities	
1,288	Fair value through profit and loss	(602)
(234)	Loans and receivables	
-	Financial liabilities measured at amortised cost	5
178,163	Total	(30,924)

16c: Valuation of financial instruments carried at fair value

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

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets and liabilities. Products classified as level 1 comprise of quoted equities, quoted fixed securities, quoted index-linked securities and unit trusts.

Listed investments are shown as bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where the valuation techniques are used to determine fair value and where techniques use inputs that are based significantly on observable market data.

Level 3

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

Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which the Northamptonshire County Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The values of the investment in hedge funds are based on the net asset value provided by the Fund manager. Assurances over the valuation are gained from the independent audit of the value.

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

	Quoted Market Price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2016	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Financial assets				
Financial assets at fair value through profit and loss	1,793,675	28,978	1,173	1,823,826
Loans and receivables	28,467	-	5,750	34,217
Total financial assets	1,822,142	28,978	6,923	1,858,043
Financial Liabilities				
Financial liabilities at fair value through profit and loss	-	-	(121)	(121)
Financial liabilities at amortised cost	-	-	(2,113)	(2,113)
Total financial liabilities	-	-	(2,234)	(2,234)
Net financial assets	1,822,142	28,978	4,689	1,855,809

	Quoted Market Price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2015	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Financial assets				
Financial assets at fair value through profit and loss	827,046	847,353	154,714	1,829,113
Loans and receivables	22,924	-	-	22,924
Total financial assets	849,970	847,353	154,714	1,852,037
Financial Liabilities				
Financial liabilities at fair value through profit and loss	(223)	-	-	(223)
Financial liabilities at amortised cost	(2,074)	-	-	(2,074)
Total financial liabilities	(2,297)	-	-	(2,297)
Net financial assets	847,673	847,353	154,714	1,849,740

17 Nature and Extent of Risks Arising From Financial Instruments

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Council

manages these investment risks as part of its overall Pension Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pensions Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

a) Market risk

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

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

- the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable level;
- Specific risk exposure is limited by applying risk weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund investment strategy.

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisers, the Council has determined that the following movements in market price risk are reasonably possible for the 2015/16 reporting period.

Asset Type	Percentage Change %
UK Equities	10.82
Global Equities	9.87
Bonds & Index-linked	4.21
Diversified Growth	4.51
Alternatives	7.54
Property	2.45
Net derivative assets	0.00
Investment income due	0.00
Cash	0.01
Amounts receivable for sales of investments	0.00
Amounts payable for purchases of investments	0.00
Total Assets	6.89

The potential price changes disclosed above are broadly consistent with one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment adviser's most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows (the prior year comparator is shown below).

Asset Type	Value at 31 March 2016 £000	Potential Market Movement	Value on Increase £000	Value on Decrease £000
UK Equities	263,526	28,514	292,040	235,012
Global Equities	909,736	89,791	999,527	819,945
Bonds & Index-linked	335,856	14,140	349,996	321,716
Diversified Growth	139,449	6,289	145,738	133,160
Alternatives	1,173	88	1,261	1,085
Property	174,032	4,264	178,296	169,768
Net derivative assets	(121)	-	(121)	(121)
Investment income due	4,238	-	4,238	4,238
Cash	29,033	3	29,036	29,030
Amounts receivable for sales of investments	1,000	-	1,000	1,000
Amounts payable for purchases of investments	(2,113)	-	(2,113)	(2,113)
Total Assets	1,855,809	143,089	1,998,898	1,712,720

Asset Type	Value at 31 March 2015 £000	Potential Market Movement	Value on Increase £000	Value on Decrease £000
UK Equities	414,627	44,033	458,660	370,594
Global Equities	788,284	72,443	860,727	715,841
Bonds & Index-linked	330,662	12,268	342,930	318,394
Diversified Growth	142,161	5,686	147,847	136,475
Alternatives	1,432	114	1,546	1,318
Property	150,173	5,031	155,204	145,142
Net derivative assets	26	-	2	26
Investment income due	3,515	-	3,515	3,515
Cash	19,459	-	19,459	19,459
Amounts receivable for sales of investments	1,475	-	1,475	1,475
Amounts payable for purchases of investments	(2,074)	-	(2,074)	(2,074)
Total Assets	1,849,740	139,575	1,989,315	1,710,165

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 routinely monitored by the Council and its investment consultant in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest rate movements as at 31 March 2016 and 31 March 2015 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate risk sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. An 80 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The Fund's investment adviser has advised that long-term average rates are expected to move less than 80 BPS from one year to the next and experience suggests that such movements are likely.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates:

Asset type	Value as at 31 March 2016	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash and cash equivalents	28,979	-	28,979	28,979
Cash balances	11,771	-	11,771	11,771
Total change in assets available	40,750	-	40,750	40,750

Asset type	Value as at 31 March 2015	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash and cash equivalents	19,409	-	19,409	19,409
Cash balances	8,252	-	8,252	8,252
Fixed interest securities	54,147	541	53,606	54,688
Total change in assets available	81,808	541	81,267	82,349

Income exposed to interest rate risk	Amount receivable as at 31 March 2016	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash deposits, cash and cash equivalents	91	1	92	90
Fixed interest securities	90	-	90	90
Total	181	1	182	180

Income exposed to interest rate risk	Amount receivable as at 31 March 2015	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash deposits, cash and cash equivalents	117	1	118	116
Fixed interest securities	491	-	491	491
Total	608	1	609	607

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of the assets and the income received from investments impact on the net assets available to pay benefits.

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 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 risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the range or exposure to currency fluctuations.

Currency risk – sensitive analysis

Following analysis of historical data with the Fund's investment advisors, the Council considers the likely volatility associated with foreign exchange rate movements to be 7% (as measured by one standard deviation).

A 7% fluctuation in the currency is considered reasonable based on the Fund adviser's analysis of long-term historical movements in the month-end exchange rates over a rolling 36 month period.

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

A 7% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows.

Assets exposed to currency risk	Value as at 31 March 2016	Potential Market Movement	Value on Increase	Value on Decrease
	£000	£000	£000	£000
Overseas Quoted Securities	909,736	63,682	973,418	846,054
Overseas Fixed Income	171,092	11,976	183,068	159,116
Total overseas assets	1,080,828	75,658	1,156,486	1,005,170

Assets exposed to currency risk	Value as at 31 March 2015	Potential Market Movement	Value on Increase	Value on Decrease
	£000	£000	£000	£000
Overseas Quoted Securities	791,380	55,397	846,777	735,983
Overseas Fixed Income	276,515	19,356	295,871	257,159
Overseas Equity				
Total overseas assets	1,067,895	74,753	1,142,648	993,142

b) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs and also cash to meet investment commitments.

The Fund has immediate access to its Pension Fund cash holdings, with the exception of holdings that are fixed when the deposit is placed.

The Fund currently generates surplus cash from its normal activities and therefore does not have access to an overdraft facility. The surplus cash position of the Fund is reviewed periodically and a forecast is also provided as part of its cash management strategy.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2016 the value of illiquid assets was £175.2m, which represented 9.4% of the total Fund assets (31 March 2015: £151.6m, which represented 8.1% of the total Fund assets).

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund's investment strategy.

All financial liabilities at 31 March 2016 are due within one year.

c) Refinancing risk

The key risk is that the Fund will be bound to replenish a significant proportion of its Pension Fund financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

18 Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2013. The next valuation will be based on Fund information as at 31 March 2016.

The objectives of the Fund's funding policy are:

- To ensure the long-term solvency of the Fund as a whole and the solvency of each of the national sub funds allocated to each individual employer.
- To ensure that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- To help employers recognise and manage pension liabilities as they accrue with consideration to the effect on the operation of their business;
- To minimise the degree of short term change in the level of each employer's contributions;
- Not to unnecessarily restrain the investment strategy of the Fund so that the administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;
- To address the different characteristics of the disparate employers and ultimately to the council tax payer from an employer ceasing participation or defaulting on its pension obligations;
- To use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.
- To maintain the affordability of the Fund's employers as far as is reasonable over the long-term.

The aim is to achieve 100% solvency over a period of the next 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable. When an employer's funding level is less than 10% of the 100% funding target, a deficit recovery plan will be put in place requiring additional contributions from the employer to meet the shortfall.

At the March 2013 actuarial valuation the Fund was assessed as 70.5% funded (73.0% at the March 2010 valuation), with a deficit of £646m (2010 valuation deficit of £445m).

Contribution increases are phased in over the three year duration of the valuation period with specific rates per employer, including a deficit cash figure to protect recovery of employer deficits. The Fund has a common contribution rate (i.e. the average fund rate) which as at March 2013 is 32.1% (2010 24.6%).

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2013 actuarial valuation report and the Funding Strategy Statement on the Fund's website.

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:

Financial assumptions

Investment return (discount rate)	2.1%	Based on 25 year bond returns extrapolated to reflect the duration of the Fund's liabilities
Inflation		Assumed to be RPI
Salary Increases	1.8% pa over CPI	
Pension Increases	In line with CPI	Assumed to be 0.8% less than RPI

Mortality assumptions

Future life expectancy based on the actuary's Fund specific mortality review was:

Mortality assumptions at age of 65	Male	Female
Current Pensioners	22.3	24.3
Future Pensioners (assumed current age 45)	24.0	26.6

Historical mortality assumptions

The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI_2010 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current pensioners	22.3 years	24.3 years
Future pensioners*	24.0 years	26.6 years

*Currently aged 45

Commutation assumption

It is assumed that future retirees will take 50% of the maximum additional tax-free lump sum up to HMRC limits for pre April 2008 and 75% of the maximum for post April 2008 service.

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 IAS 19 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 contribution rates and the fund accounts do not take account of liabilities 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.

31 March 2015		31 March 2016
£m		£m
(3,088)	Present value of promised retirement benefits	(2,891)
1,865	Fair value of scheme assets (bid value)	1,871
(1,223)	Net liability	(1,020)

The liabilities above are calculated on an IAS 19 basis and therefore differ from the results of 2013 triennial funding valuation (see Note 18) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Assumptions used

Inflation/pension increase rate assumption	2.2%
Salary increase rate	4.2%
Discount rate	3.5%

20 Current Assets

31 March 2015		31 March 2016
£000		£000
5,626	Contributions due – employers	5,628
522	Contributions due – employees	1,567
824	Other debtors	618
1,327	Funds due from the County Council	6,235
8,252	Cash balances	4,574
16,551	Total	18,622

The significant majority of other debtors are employers in the Fund.

21 Current Liabilities

31 March 2015		31 March 2016
£000		£000
242	Benefits payable	258
1,415	Sundry creditors	2,388
-	Funds due to the County Council	759
1,657	Total	3,405

22 Additional Voluntary Contributions

Market value at 31 March 2015 £000		Market value at 31 March 2016 £000
3,113	Prudential	3,537
713	Standard Life	630
3,826	Total	4,167

Total contributions of £821k were paid directly to Prudential during the year (2014-15: £751k).

Total contributions of £14k were paid directly to Standard Life during the year (2014-15: £14k).

23 Agency Services

31 March 2015 £000	31 March 2016 £000
365	509
	Unfunded

Agency Services represent activities administered by the Fund on behalf of scheme employers which are not included within the Fund Account but are provided as a service and are fully reclaimed from the employer bodies.

24 Related Party Transactions

Northamptonshire County Council

The Northamptonshire Pension Fund is administered by Northamptonshire County Council.

The Council incurred costs of £1.8m (2014-15: £1.9m) in relation to the administration of the Fund and was reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and paid employer's contributions of £23.1m to the Fund in 2015-16 (2014-15: £24.6m). All monies owing to and issued from the Fund were paid in year.

Governance

There is one member of the Pensions Committee who is in receipt of pension benefits from the Northamptonshire Pension Fund. In addition, there are six committee members who are active members and one deferred member of the Pension Fund.

County Council Members

Cllr Graham Lawman (Chairman)
 Cllr Jim Hakewill (Vice Chairman)
 Cllr Michael Brown
 Cllr Brendon Glynane (appointed June 2015)
 Cllr Malcolm Longley
 Cllr Dennis Meredith (resigned June 2015)
 Cllr Russell Roberts
 Cllr Bob Scott
 Cllr Winston Strachan (Substitute Member Appointed May 2015)
 Cllr Mick Scrimshaw (Substitute Member Resigned May 2015)

District/Borough Councils' Representatives

Cllr Richard Lewis (East Northants District Council) (appointed November 2015)
Cllr Chris Long (Daventry District Council) (appointed November 2015, resigned May 2015)
Cllr Malcolm Ward (Wellingborough Borough Council) (resigned June 2015)
Cllr Martin Wilson (South Northants District Council) (resigned May 2015)

Universities and Colleges Representative

Roger Morris

Other Employers' Representatives

Alicia Bruce
Robert Austin (Substitute Member)

Employees' Representatives

Peter Borley-Cox
Josie Mason
Andy Langford (Substitute Representative)

County Council members have declared their interests in the Register of Members' Interests. Other members of the Pensions Committee are required to declare their interests at each meeting.

25 Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2016 totalled £0.3m (31 March 2015: £0.3m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of between 10 and 12 years from the date of the original commitment.

26 Contingent Assets

Four admitted body employers in the Northamptonshire Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default.

- Appendix A – Governance Policy & Compliance Statement
- Appendix B – Joint Administration Strategy & Joint Communication Strategy
- Appendix C – Funding strategy statement
- Appendix D - Statement of Investment Principles