

*Annual Report and Statement
of Accounts 2017-18*

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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 2017-18.

The accounts summarise the transactions of the Fund 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 Fund which takes into account these obligations is available on the Northamptonshire County Council website,

<http://pensions.northamptonshire.gov.uk/app/uploads/2012/11/NPF-2016-Actuary-Valuation-Report.pdf>

Mr B Scarr



Director of Finance
(Section 151 Officer)

13 December 2019

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 2018 and of its income and expenditure for the year 2017-18, and authorise the accounts for issue.

Mr B Scarr



Director of Finance
(Section 151 Officer)

13 December 2019

Chairman's Foreword

It gives me great pleasure to introduce the Northamptonshire Pension Fund Annual Report and Statement of Accounts for 2017-18. I was honoured to be appointed Chairman of the Pension Committee in May 2019. I would like to take this opportunity to thank my predecessor, Councillor Graham Lawman, for his hard work and dedication during his long tenure as Chairman, including during the complete 2017-18 year.

The year saw a focus on governance and administration as we put in place a number of policies and strategies for the future. During the year asset pooling gathered pace and significant moves were made to spread risk away from equities to other areas achieving similar returns, whilst acknowledging the government's desire to fund housing and infrastructure.

During 2017-18 there was steady growth in the number of members and employers in the Fund.

At 31st March 2018 the Fund was valued at £2.322bn, an increase of £39m from the previous year. The Fund's asset return of 2.6% for the year slightly underperformed the Fund's benchmark return of 2.9% and the average Local Government Pension Fund (4.5%¹), reflecting weaker markets compared to the 31st March 2017 Fund return of 22.1%, which beat the benchmark by 0.9%.

The Fund's investment strategy is currently under review and remains focused on growth assets, which are expected to earn more attractive returns over the longer term than lower risk investments. The Fund, mindful of the development of asset pooling, deferred potential investment changes decisions within this framework, pending implementation and development of sub-funds.

Over the year, the funding level for the Fund decreased slightly from 80.7% to 79.9%. The results of the 2016 valuation, published in April 2017, showed a funding level of 78.4% compared to 70.5% at the 2013 valuation. The continued improvement in funding position is mainly due to strong investment performance over the inter-valuation period, coupled with the positive impact on the liabilities of actual pay and benefit growth being lower than expected.

Following the Autumn Statement on 25 November 2015, the then Department for Communities and Local Government (DCLG) published its criteria for Local Government Pension Scheme (LGPS) investment pooling. This focussed on 4 elements: scale, strong governance, reduced costs and improved capacity to invest in infrastructure – in which advances have been made.

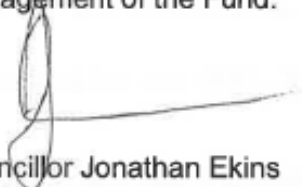
In response to this, eleven like-minded LGPS Funds (including Cambridgeshire) are working together to pool their investments under the name of ACCESS (A Collaboration of Central, Eastern and Southern Shires). Collectively the ACCESS Pool has significant scale with assets of over £43bn, managed on behalf of c.3,000 employers and c.900,000 members. Significant progress has been made to establish the asset pool under the governance of the ACCESS Joint Committee (AJC) comprising the Chairman of the eleven LGPS Funds.

ACCESS has appointed Link Fund Solutions (Link) as the pool's Financial Conduct Authority (FCA) authorised operator. The appointment means a significant shift in governance arrangements, with the operator responsible for selecting and contracting with managers on

behalf of the authorities participating in the pool, albeit with significant consultation with the individual funds.

ACCESS has also appointed UBS, the Northamptonshire Fund's existing provider, to manage its passive mandates (approx. £11bn). The indicative saving of £5.2m per annum exceeds the estimated saving projection of £4m per annum stated in the July 2016 submission of the pool's plans to HM Government. The Fund has benefitted from reduced fees under this arrangement since February 2018.

2017-18 was a successful year for the Fund and I would like to thank the hard work of the Pension Committee and Investment Sub-Committee, members of the Local Pension Board, the Chief Finance Officer, the Head of Pensions and all staff involved in the administration and management of the Fund.



Councillor Jonathan Ekins
Chairman of Northamptonshire Pensions Committee

17 January 2020

¹ Source: PIRC Ltd Local Authority Universe

Scheme Framework

The Local Government Pension Scheme is a statutory funded pension scheme. It is termed a defined benefit scheme and was previously contracted out of the state scheme until contracting out ended on 5th April 2016. 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, excluding 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 as at 31st March 2016. The results of the valuation were a funding level of 78.4% and an average primary employer contribution rate of 17.1%.

The Primary rate above includes an allowance of 0.7% of pensionable pay for the Fund's expenses. The average employee contribution rate is 6.3% of pensionable pay. The previous formal valuation, as at 31 March 2013 a different regulatory regime was in force. Therefore, no meaningful comparative rate is available.

On 1st 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 31st 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 31st March 2012 and were within ten years of their Protected Normal Pension Age on 1st 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 1st April 2014, subject to meeting certain criteria.

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

Employers Classified by Type of Body

Scheduled Bodies:225 (Total counting a trust and its members as one = 193) (Total counting each academy as one = 77)		
Key: Trust name only 32 <i>Employers within trust 148</i> <i>Individual Employers 45</i>		
Billing Brook Academy Trust	<i>Greenfields Primary School</i>	The Hawksmoor Learning Trust
Bishop Stopford School	<i>Kings Heath Primary Academy</i>	<i>Bracken Leas Academy</i>
Boughton Primary School Trust	<i>Lodge Park Academy</i>	<i>Nicholas Hawksmoor Primary School</i>
Brambleside Academy Trust	<i>Malcolm Arnold Academy</i>	Northampton Free School Trust
Campion Academy	<i>Malcolm Arnold Preparatory School</i>	<i>Wootton Park School</i>
Caroline Chisholm Education Trust	<i>Newnham Primary School</i>	Northampton Primary Academy Trust (NPAT)
Complementary Education	<i>Rockingham Primary School</i>	<i>Abington Vale Primary School</i>
<i>The CE Academy</i>	<i>The Arbours Primary Academy</i>	<i>East Hunsbury Primary School</i>
Corby Borough Council	<i>Welton Church of England Primary Academy</i>	<i>Ecton Brook Primary School</i>
Daventry District Council	E-ACT	<i>Headlands Primary School</i>
Duston Education Trust	<i>DSL V E-ACT Academy</i>	<i>Lings Primary School</i>
East Northants District Council	<i>The Parker E-ACT Academy</i>	<i>Rectory Farm Primary School</i>
Freemans Endowed Church of England Junior School	Education Excellence For All	<i>Simon de Senlis Primary School</i>
Friars Academy	<i>Daventry Hill School</i>	Peterborough Diocese Education Trust
Greenfields School & Sports College (Greenfields Specialist School for Communication)	The Education Fellowship Trust	<i>Barby Church of England Primary School</i>
Hartwell Primary (Academy)	<i>Blackthorn Primary School</i>	<i>Braunston Church of England Primary School</i>
Huxlow Science College	<i>Education Fellowship HQ</i>	<i>Collingtree Church of England Primary School</i>
Kettering Borough Council	<i>Olympic Primary School</i>	<i>Cottingham Church of England Primary School</i>
Kingsley School	<i>Risdene Academy</i>	<i>Cranford Church of England Primary School</i>
Magdalen College	<i>Rushden Community College</i>	<i>Easton Garford Endowed Church of England Primary School</i>
Maplefields Academy	<i>Ruskin Junior School</i>	<i>Great Addington Church of England Primary School</i>
Moulton College	<i>Thorplands Primary School</i>	<i>Greens Norton Church of England Primary School</i>
Moulton School (Academy)	<i>Warwick Academy</i>	<i>Isham Church of England Primary School</i>
Northampton Borough Council	<i>Windmill Primary School</i>	<i>Loddington Church of England Primary School</i>
Northampton College	<i>Wrenn School</i>	<i>Mears Ashby Church of England Primary School</i>
Northampton Partnership Homes	EMLC Academy Trust	<i>Milton Parochial Primary School</i>
Northampton School for Boys	<i>Castle Academy</i>	<i>Pytchley Endowed Church of England Primary School</i>
Northampton School for Girls Academy	<i>Hardingstone Academy</i>	<i>Ringstead Church of England Primary School</i>
Northamptonshire County Council	<i>Northampton International Academy</i>	<i>Silverstone Church of England Primary School</i>
Northamptonshire Coroners	<i>Prince William School</i>	<i>St Andrews Church of England</i>

		<i>Primary School</i>
Northamptonshire Chief Constable	<i>Stimpson Avenue Academy</i>	<i>St Barnabas Church of England School</i>
Northamptonshire Police & Crime Commissioner	Greenwood Academies Trust	<i>St James Church of England Primary School</i>
Northgate School of Arts	<i>Corby Primary Academy</i>	<i>St Lukes Church of England Primary School</i>
Silverstone UTC	<i>Danesholme Infants Academy</i>	<i>Staverton Church of England Voluntary Primary School</i>
South Northants Council	<i>Danesholme Junior Academy</i>	<i>Towcester Church of England Primary School</i>
Southfield School for Girls	<i>Green Oaks Primary Academy</i>	<i>Weldon Church of England Primary School</i>
Southfield Primary Academy	<i>Hazel Leys Academy</i>	<i>Welford, Sibbertoft and Sulby Endowed School</i>
St Mary's Church of England Voluntary Aided Primary Academy	<i>Kingswood Primary Academy</i>	Preston Hedges Multi Academy Trust
St Mary's Primary Academy	<i>Kingswood Secondary Academy</i>	<i>Preston Hedge's Primary School</i>
The Ferrers School Academy	<i>Purple Oaks Academy</i>	Hatton Academies Trust
The University of Northampton	<i>Rushden Primary Academy</i>	<i>Ecton Village Primary School</i>
Waynflete Infants School	<i>Sunnyside Primary Academy</i>	<i>Oakway Academy</i>
Wellingborough Borough Council	<i>Weston Favell Academy</i>	<i>Sir Christopher Hatton Academy</i>
Weston Favell Church of England Primary School	<i>Woodvale Primary Academy</i>	<i>Victoria Primary Academy</i>
Woodland View Primary Academy	Guilsborough Multi Academy Trust	South Northamptonshire Church of England Multi Academy Trust
Wootton Primary School	<i>Guilsborough Academy</i>	<i>Boddington Church of England Primary School</i>
The Brooke Weston Trust	<i>Naseby Church of England Primary Academy</i>	<i>Chacombe Church of England Voluntary Aided Primary Academy</i>
<i>Beanfield Primary School</i>	Innovate Multi Academy Trust	<i>Culworth Church of England Primary School</i>
<i>Brooke Weston Academy</i>	<i>Badby School</i>	<i>St Loy's Church of England Primary Academy, Weedon Lois</i>
<i>Corby Business Academy</i>	<i>Kilsby Church of England Primary School</i>	South Northamptonshire Village Schools Multi Academy Trust
<i>Corby Technical School</i>	<i>Weedon Bec Primary School</i>	<i>Chipping Warden Primary Academy</i>
<i>Gretton Primary School</i>	<i>Woodford Halse Church of England Primary Academy</i>	<i>Kings Sutton Primary School</i>
<i>Kettering Science Academy</i>	InMAT	<i>Middleton Cheney Primary Academy</i>
<i>Oakley Vale Primary School</i>	<i>Hall Meadow Primary School</i>	St Luke's Academy Trust
Catch 22 – Multi Academy Trust	<i>Kettering Park Infants School</i>	<i>Our Lady of Walsingham Catholic Primary School</i>
<i>The Spires Academy</i>	<i>Kettering Park Junior Academy</i>	<i>St Brendan's Catholic Primary School</i>
Chenderit School Academy Trust Ltd	<i>Wollaston Primary School</i>	<i>St Edward's Catholic Primary School</i>
<i>Chenderit School</i>	The Irthlingborough & Finedon Learning Trust	<i>St Thomas More Catholic Primary School</i>
Collaborative Academies Trust (Combined)	<i>Finedon Infants School</i>	St Thomas of Canterbury Catholic Academies Trust
<i>Kingsthorpe College</i>	<i>Finedon Mulso Church of England Junior School</i>	<i>St Gregory's Catholic Primary School</i>
<i>Lumbertubs Primary Academy</i>	<i>Irthlingborough Junior School</i>	<i>The Good Shepherd Catholic Primary Academy</i>
<i>Spring Lane Primary Academy</i>	<i>Irthlingborough Nursery and Infants School</i>	<i>Thomas Beckett Catholic Academy</i>
Creative Education Academies Trust	Manor Learning	<i>St Marys Catholic Primary School</i>
<i>Abbeyfield School</i>	<i>Manor School Sports College</i>	Stowe Valley Multi Academy Trust
<i>Queen Eleanor Primary Academy</i>	<i>St Peters's Church of England Academy</i>	<i>Byfield School</i>

<i>Weavers Academy</i>	<i>Stanwick Primary School</i>	Tove Learning Trust
Creating Tomorrow Multi Academy Trust	Montsaye Community Learning Partnership	<i>Elizabeth Woodville School</i>
<i>Isebrook SEN Cognition & Learning College</i>	<i>Havelock Infant School</i>	<i>Sponne School</i>
<i>Wren Spinney Community School</i>	<i>Havelock Junior School</i>	United Learning Trust
The David Ross Education Trust	<i>Loatlands Primary School</i>	<i>Grange Primary Academy</i>
<i>Abbey Church of England Academy</i>	<i>Montsaye Academy</i>	<i>Kettering Buccleuch Academy</i>
<i>Briar Hill Primary School</i>	<i>Rothwell Junior School</i>	<i>Northampton Academy</i>
<i>Cedar Road Primary School</i>	<i>Rothwell Victoria Infants School</i>	Woodnewton Academy Trust
<i>Eastfield Academy</i>	<i>Rushton Primary School</i>	<i>Exeter - A Learning Community</i>
<i>Falconer's Hill Academy</i>	<i>Wilbarston Church of England Primary</i>	<i>Woodnewton - A Learning Community</i>
Designating Bodies (32):		
Barby Parish Council	Higham Ferrers Town Council	Stanion Parish Council
Billing Parish Council	Irthlingborough Town Council	Stanwick Parish Council
Brackley Town Council	Islip Parish Council	Thrapston Town Council
Brixworth Parish Council	LGSS Law Ltd (NCC)	Towcester Town Council
Desborough Town Council	Moulton Parish Council	Upton Parish Council
Duston Parish Council	Olympus Care Service	Weedon Bec Parish Council
Earls Barton Parish Council	Oundle Town Council	Weldon Parish Council
East Hunsbury Parish Council	Overstone Parish Council	West Haddon Parish Council
Finedon Parish Council	Raunds Town Council	Wollaston Parish Council
First For Wellbeing	Ringstead Parish Council	Wootton, Wootton Fields & Simpson Manor PC
Grange Park Parish Council	Rushden Town Council	
Admitted Bodies (48):		
ABM Catering (Innovate Multi Academy Trust)	CRI Probation	Maxim Facilities Management Ltd
ABM Catering (Magdalen)	Cucina Ltd	Northampton High School
ABM Catering (Waynflete)	Futures Housing Group previously Daventry & District Housing	Northampton Theatres Trust
Age Concern Northamptonshire	Easy Clean Contractor Ltd (Prince William)	Northants Music & P/A Trust
Amey Ltd	emPSN Services Ltd (pre. EMBC)	NSL Ltd
Aspens (DSLVL E-ACT Academy)	Enterprise Managed Services Ltd	Places For People Leisure Management Ltd
Aspens (Hardingstone Primary & Castle Primary)	Fresh Start Catering Limited	Prospects Services
Balfour Beatty-St Lighting	G4S	Rockingham Forest Trust
Brighter Ltd	KGB Cleaning	Shaw Healthcare
Caterlink Ltd (The Grange Academy)	Kier (May Gurney Fleet & Passenger)	South Northants Homes
Churchill Contract Services (Campion)	Kier (May Gurney Ltd)	Spire Homes (LG) Ltd
Clubs for Young People	Kier (May Gurney Nordis)	University of Northampton Enterprises
Compass Chartwells (The Arbours)	Kingswood Catering (Bridgstock Lathams)	Unity Leisure
Compass Chartwells (Briar Hill)	Kingswood Catering (Kingsley Special School)	Wellingborough Homes Limited
Compass Chartwells (Kingsheath, Welton & Abbey Schools)	Kingswood Catering (Little Harrowden Primary)	Wellingborough Norse Limited
Consortium Audit (Warwickshire)	Legacy Leisure Ltd	WSP Management Services Ltd

Scheme Management and Advisers

Registered Pension Scheme Number: 10079413

Administering Authority

Northamptonshire County Council
One Angel Square
Angel Street
Northampton, NN1 1ED

Administrator

Mr M McLaughlin
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 Bob Scott
Cllr Julie Brookfield (appointed May 2017)
Cllr Michael Brown (retired May 2017)
Cllr Stephen Legg (appointed May 2017)
Cllr Michael Clarke (retired May 2017)
Cllr Adil Sadygov (appointed June 2017)
Cllr Chris Lofts (retired May 2017)
Cllr Michael Tye (appointed May 2017)
Cllr Russell Roberts (retired May 2017)

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

Cllr Richard Lewis (East Northamptonshire Council)
Cllr Peter Rawlinson (South Northamptonshire Council)

Other Employers' Representatives

Robert Austin (appointed July 2017, former substitute)
Alicia Bruce (retired July 2017)
Roger Morris (retired July 2017)
Damian Pickard (appointed July 2017)

Member Representatives

Peter Borley-Cox
Josie Mason (retired August 2017)
Janet Blunden (appointed September 2017)
Andy Langford – Substitute

Local Pension Board Members:

Scheme member representatives:

Paul Evans (Chairman)
Ged Carlton (retired December 2017) Penny Smith (appointed December 2017)
Nina Thomas (retired December 2017) Vacant (from December 2017)

Employer representatives:

Cllr Allan Matthews (Vice Chairman)
Cllr Mick Scrimshaw
Audra Statham

Key Officers supporting the Fund

Head of Pensions LGSS	Mark Whitby
Investment & Fund Accounting Manager	Paul Tysoe
Operations & Technical Manager	Akhtar Pepper
Employer & Systems Team Manager	Cory Blose
Governance & Regulations Manager	Joanne Walton
Fund Financial Managers	Ben Barlow (Transactional) Tracy Pegram (Corporate) Richard Perry (Investments)
Investment Advisers	Mark Stevens Independent Adviser Mercer Investment Consulting Belvedere, 12 Booth Street Manchester M2 4AW
Investment Managers	AMP Capital Investors UK Ltd Level 4, Berkley Square House Berkley Square London, W1J 6BX Adams Street 4 th Floor, 75 Davies Street London, W1K 5JN Baillie Gifford & Co. Calton Square, 1 Greenside Row Edinburgh, EH1 3AN CBRE Global Investment Partners Third Floor, One New Change London, EC4M 9AF Catapult 11 Burrough Court Burrough on the Hill Melton Mowbray Leicestershire, LE14 2QS HarbourVest Partners (UK) Ltd 3 rd Floor, 33 Jermyn Street London, SW1Y 6DN M&G Group Governor's House Laurence Pountney Hill London, EC4R 0HH Majedie Asset Management Ltd 10 Old Bailey London, EC4M 7NG

Investment Managers, cont.

Newton Investment Management Ltd
Mellon Financial Centre
160 Queen Victoria Street
London, EC4V 4LA

Skagen Funds
High Holborn House
52-54 High Holborn
London, WC1V 6RL

UBS Global Asset Management (UK) Ltd
4th Floor, 21 Lombard Street
London, EC3V 9AH

Wellington Management International Ltd
Cardinal Place, 80 Victoria Street
London, SW1E 5JL

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 Adviser

LGSS Law
Shire Hall, Castle Hill
Cambridge, CB3 0AP

Performance Reporting

Mercer Investment Consulting
Belvedere, 12 Booth Street
Manchester, M2 4AW

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: 07867 902436

Enquiries relating to benefits and administration should be directed to:

Mark Whitby, Head of Pensions, LGSS
E-mail: MWhitby@northamptonshire.gov.uk Telephone: 07990 556197

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 of the Fund. The arrangements in place which provide for the management of risk are described below.

A Risk Strategy was formally published in 2015-16 and subsequently the Risk Register was formally agreed in October 2016, both of which will be reviewed in the 2018/19 financial year.

The Risk Strategy can be found at -

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

The Risk Register can be found at -

<http://pensions.northamptonshire.gov.uk/app/uploads/2012/11/Risk-Register---Governance.pdf>

Managing decision making

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

Membership of both bodies consist of elected members, and non-elected employer 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 documented.

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 stakeholders. 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 Sustainable Responsible Investment (SRI) risks in addition to financial risks.

In April 2017, the Northamptonshire Full Council acknowledged the establishment of the ACCESS Joint Governance Committee (AJGC) delegating powers to this body in response to the Government's pooling agenda. The Chairman and Vice Chairman of the Pensions Committee represent the Fund on the AJGC, supported by Fund officers working in the ACCESS Officers Working Group (OWG).

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 risks

The Northamptonshire Pension Fund has over £2 billion 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 fourteen investment mandates with eleven 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.

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 and investment style.

Fund managers will bias their portfolios towards stocks which are expected to out-perform in rising or falling markets and are required to operate in such a way that the possibility of underperformance against the target is kept within acceptable risk tolerances.

The Fund uses third party providers for investment management and custodian services. The risk of misstatement or error in the processes operated by third parties is mitigated by reviewing the ISAE3402 service auditors' assurance reports provided by the investment managers and the Custodian.

The Fund's investment performance is reviewed by the Investment Sub-Committee and should remedial action be required, the Sub-Committee will determine and undertake appropriate action.

Annually the Pension Committee reviews the work of the Investment Sub-Committee in July, in addition to receiving the Fund's Annual Report and Statement of Accounts. The focus of this review meeting is the annual and longer term view of the Fund's investment strategy from the Fund's Investment Consultant, in addition to reports on the Local Authority Universe, and the performance of the Fund's third party providers.

Managing funding risks

The fundamental objective of the Fund is to ensure that all future liabilities can be met from the Fund's assets. Asset Liability Studies are undertaken to help the Pension Fund Committee and Investment Sub-Committee determine appropriate asset allocation ranges. The aim of these is to ensure that the Fund's assets are prudently spread across a range of 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 is formally reviewed following publication of each triennial valuation, and at other times as required.

To minimise risk a broadly based portfolio of stocks is held, spread across different countries and different industrial sectors.

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 such as 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 Fund does sell investments from time to time as part of normal investment management activities.

Managing Scheme employer related risks

At 31 March 2018 there were 223 scheme employers in the Northamptonshire Pension Fund, of which 157 were active, 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. 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 exiting the Fund, including those that prematurely 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 effect 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

	2017-18 Estimated Outturn £000	2017-18 Final Outturn £000	2018-19 Estimate £000	2019-20 Estimate £000	2020-21 Estimate £000
Contributions.	(103,000)	(101,214)	(108,000)	(112,000)	(116,000)
Transfers in from other pension funds:	(3,600)	(4,650)	(3,465)	(3,465)	(3,465)
TOTAL INCOME	(106,600)	(105,864)	(111,465)	(115,465)	(119,465)
Benefits payable.	87,700	89,806	88,000	89,000	90,000
Payments to and on account of leavers.	3,600	33,334	4,664	4,664	4,664
TOTAL BENEFITS	91,300	123,140	92,664	93,664	94,664
Surplus of contributions over benefits	(15,300)	17,276	(18,801)	(21,801)	(24,801)
Management Expenses	8,985	8,486	9,668	9,715	9,952
TOTAL INCOME LESS EXPENSES	(6,315)	25,762	(9,133)	(12,086)	(14,849)
Investment Income	(32,000)	(38,760)	(33,000)	(34,000)	(35,000)
Taxes on income	-	470	-	-	-
Profit and losses on disposal of investments and changes in the market value of investment	(55,000)	(26,406)	(57,000)	(59,000)	(60,000)
Net return on investments	(87,000)	(64,699)	(90,000)	(93,000)	(95,000)
Net (increase)/decrease in the net assets available for benefits during the year	(93,315)	(38,937)	(99,133)	(105,086)	(109,849)

Performance against budget – net operational expenses

The following table shows the Fund's forecast for total management expenses for 2017-18 compared with the outturn.

	2017-18 Forecast £'000	2017-18 Outturn £'000	Variance £'000
Administration Expenses	1,863	1,837	(26)
Investment Management Expenses	6,602	6,289	(313)
Oversight and Governance	520	360	(160)
Total Management Expenses	8,985	8,486	(499)

Timeliness of contributions

The following table shows the amount of regular employee and employer contributions paid during 2017-18 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 2017-18	Total Paid on Time	% Paid on Time	Total Paid Late	% Paid Late
Employer Contributions	80,989	77,223	95%	3,766	5%
Employee Contributions	20,225	19,789	98%	436	2%
Total	101,214	97,012	96%	4,202	4%

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 2017-18.

	2017-18 Estimated Outturn £'000	2017-18 Final Outturn £'000
Cash flows		
Fund (surplus) / deficit cash from dealings with members	(15,300)	17,276
Management expenses	8,985	8,486
Returns on investments	(87,000)	(64,699)
Net (increase) in the net assets available for benefits during the year	(93,315)	(38,937)
Assets held		
Equities – directly held	877,749	847,092
Pooled investments	1,229,805	1,251,479
Pooled property investments	176,531	165,615
Private equity/infrastructure	3,368	17,370
Cash deposits	60,395	40,526
Other	(786)	3
Net investment assets	2,347,062	2,322,085

Recovery of overpayments of pension

The following tables show the analysis of pension overpayments that occurred during the last four years. A full 5 year record is not available but will become so over time.:

Financial Year	Overpayment	Recovered	Written Off
2014-15	£87,357	£17,705	£29,883
2015-16	£88,375	£7,640	£11,913
2016-17	£81,468	£29,552	£26,072
2017-18	£68,606	£34,448	£18,498

The Fund participates in the National Fraud Initiative which is a biennial process undertaken in conjunction with the Audit Commission. The necessary recoveries arising from identified overpayments are being pursued.

Annual Pensioner Payroll (excluding additional pension awarded by the employer)	70,501,185
Total write off amount	18,498
Write offs as a % of payroll	0.03%
Number of cases written off	253
Number of cases in the process of recovery	56
Number of cases recovered	36

The average write off amount per individual is £73.11. (2016-17 £172.66).

Northamptonshire Pension Fund has an Overpayment of Pension Policy which details how overpayments should be managed once identified, the policy is due for review in the 2018/19 financial year.

The Policy can be found at -

<http://pensions.northamptonshire.gov.uk/app/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	139	130	90%	94%
Provide employer with requested estimate of benefits	10	289	266	90%	92%
Provide a maximum of one estimate to employees per request per year	15	849	724	80%	85%
Provide a maximum of one cash equivalent transfer to employees per year on request	10	542	477	90%	88%
Notify employees retiring from active membership of benefit award	5	412	405	95%	98%
Acknowledge death of active/deferred/pensioner member	5	502	502	100%	100%
Change of address	5	1417	1411	95%	99%
Expression of Wish form received	5	790	780	95%	99%
Opt out form received	5	337	337	95%	100%
Personal change update	5	258	258	95%	100%

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 Pension Fund Committee receives quarterly performance updates within a Business Plan update.

Performance is a partnership between the administration team and the constituent employers of the Fund and the targets shown are well in excess of statutory guidance, therefore representing stretch targets. Where there is material shortfall on the stretch targets we are working with scheme employers to improve timeliness and quality of data received to improve delivery as well as addressing any internal inefficiencies in business processes.

Total number of cases in 2017-18 = 30,409.

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	£19.24 (2016-17) £19.85 (2015-16)	£20.14 (2016-17) £18.55 (2015-16)
Unit cost per member including investment manager expenses	£8,222k/63,190 members = £130.12 (2016-17) (2015-16 £138.44)	N/A

Results from the 2017-18 CIPFA Benchmarking exercise will be published on the LGSS Pensions website once released by CIPFA.

Key staffing indicators

In 2017-18, the average staff to member ratio was one full-time member of staff to 2,621 members (2016-17: 1:2,382) and the number of cases per full time member of staff was 546 (2016-17: 907).

5 Year analysis of Fund membership as at year ending 31 March 18

	2014	2015	2016	2017	2018
Active Members	18,334	19,407	20,140	20,424	21,134
Deferred Beneficiaries	20,887	23,377	25,383	27,317	28,420
Pensions in Payment	14,155	14,421	14,865	15,449	15,700
Total	53,376	57,205	60,388	63,190	65,254

Age profile of Fund membership at 31 March 2018:

Age Band Years	Actives	Deferred	Pensioners
<20	198	55	103
20 – 24	952	516	35
25 – 29	1,405	1,715	4
30 – 34	1,771	2,426	4
35 – 39	2,524	3,061	9
40 – 44	2,817	3,512	25
45 – 49	3,539	5,182	56
50 – 54	3,412	5,531	122
55 – 59	2,644	4,280	423
60 – 64	1,559	1,806	2,460
65 – 69	265	237	4,158
70 – 74	45	84	3,546
75 – 79	3	12	2,067
80 – 84		1	1,354
85 – 89		2	840
90 – 94			362
95 – 99			106
100 – 104			19
105 – 109			7
Total	21,134	28,420	15,700

(* Includes surviving dependants).

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 2017-18

The following table shows the contributions paid by the active employers in the fund during 2017-18.

Employers	Employee	Employer	Total
	£'000	£'000	£'000
Abbey Junior Academy (Daventry)	8	40	48
Abbeyfield School (Academy)	41	158	199
Abington Vale Academy	31	93	124
ABM Catering (Innovate)	3	13	16
ABM Catering (Magdalen)	0	3	3
ABM Catering (Upton Meadow)	1	5	6
Age Concern (Northampton And County)	4	6	10
All Saints C of E VA Primary School	21	70	91
Amey Plc	20	79	99
Ashby Fields Primary School	3	14	17
Aspens - (Danetre & Southbrook Academy)	1	4	5
Badby Primary Academy	13	32	45
Balfour Beatty Workplace Ltd	7	15	22
Bar Hill Parish Council	1	3	4
Barby Parish Council	1	3	4
Barby Primary Academy	6	25	31
Barry Road Primary	25	100	125
Beanfield Primary	62	167	229
Billing Brook Academy	68	257	325
Billing Parish Council	1	5	6
Bishop Stopford School	57	223	280
Blackthorn Primary Academy	22	96	118
Boddington C of E Primary Academy	4	16	20
Boothville Primary School	45	136	181
Borough Council Of Wellingborough	221	1,767	1,988
Boughton Primary Academy	10	32	42
Bracken Leas Primary Academy	15	61	76
Brackley Town Council	15	60	75
Brambleside Academy	17	70	87
Braunston Primary Academy	7	29	36
Briar Hill Primary Academy	14	61	75
Bridgewater Primary School	42	122	164
Bright Ltd	0	1	1
Brington Primary School	8	24	32
Brixworth Parish Council	1	2	3
Brixworth Primary	32	95	127
Brooke Weston Academy	100	261	361
Broughton Primary	13	53	66
Bugbrooke Primary	12	49	61

Employers	Employee	Employer	Total
	£'000	£'000	£'000
Byfield Academy	5	13	18
Campion School	59	244	303
Caroline Chisholm School	68	176	244
Caterlink (The Grange Primary Academy)	0	1	1
Ceder Road Primary Academy	7	40	47
Chacombe CEVA Primary Academy	4	20	24
Chenderit Academy	51	147	198
Chipping Warden School Academy	5	21	26
Churchill Services	8	18	26
Clipston Primary	5	23	28
Clubs for Young People Northamptonshire	2	7	9
Collingtree CEVA Primary	9	20	29
Complementary Education (Academy)	51	197	248
Corby Borough Council	566	3,040	3,606
Corby Business Academy	82	252	334
Corby Old Village Primary School	10	41	51
Corby Primary Academy	12	33	45
Corby Studfall Junior	25	102	127
Corby Technical College	34	93	127
Cottingham C of E Primary Academy	5	23	28
Cranford CE Primary School	4	14	18
CRI (NCC)	6	19	25
Croughton All Saints	5	18	23
Croyland Children's Centre & Nursery	32	130	162
Cucina Restaurants Ltd	0	1	1
Culworth C of E Primary Academy	5	22	27
CW Audit Services (South Warks NHS Foundation Trust)	4	7	11
Danesholme Infants Academy	12	51	63
Danesholme Junior Academy	12	52	64
Danetre & Southbrook Learning Village	49	191	240
Daventry & District Housing	45	275	320
Daventry District Council	355	1,917	2,272
Daventry Hill Academy (all through)	28	120	148
Daventry UTC	5	16	21
Deanshanger Parish Council	1	5	6
Denfield Park Primary	34	104	138
Desborough town council	3	12	15
Duston Academy	76	288	364
Duston Eldean Primary	28	85	113
Duston Town Council	11	43	54
Earls Barton Parish Council	1	5	6
East Hunsbury Parish Council	1	14	15

Employers	Employee	Employer	Total
	£'000	£'000	£'000
East Hunsbury Primary	23	94	117
East Midlands Leadership Centre	11	22	33
East Northamptonshire District Council	322	1,656	1,978
East Northants Cultural Trust	0	17	17
Eastfield Academy	14	42	56
Easton Garford CEVA Primary Academy	1	6	7
Easy Clean Contractors Ltd	1	4	5
Ecton Brook Primary School Academy	57	165	222
Ecton Primary Academy	5	24	29
Education Fellowship HQ	15	43	58
Elizabeth Woodville Academy	55	211	266
EMBC	15	42	57
Enterprise Managed Services	165	0	165
Exeter - A Learning Community Academy	37	130	167
Fairfields Special School	57	246	303
Falconers Hill Academy	11	48	59
Falconers Hill Infant School	1	5	6
Finedon Infants Academy	11	32	43
Finedon Mulsoe CEVA Junior Academy	14	41	55
Finedon Parish Council	1	3	4
First for Wellbeing	408	1,417	1,825
Freemans Endowed C of E Junior Academy	11	45	56
Friars Academy	52	152	204
G4S	37	123	160
Gateway School	35	109	144
Grange Community Academy	15	62	77
Grange Park Parish Council	2	7	9
Great Addington CEVA Academy	5	19	24
Great Creaton Primary School	2	9	11
Green Oaks Primary Academy	13	45	58
Greenfields Primary Academy (MAT)	23	89	112
Greenfields School & Sports College	44	213	257
Greens Norton Primary Academy	6	23	29
Gretton Primary	11	32	43
Guilsborough School (Academy)	52	176	228
Hall Meadow Primary Academy	11	49	60
Hardingstone Primary Academy	9	37	46
Harlestone Primary School	6	17	23
Hartwell Academy	8	30	38
Havelock Infant Academy	15	61	76
Havelock Junior Academy	18	76	94

Employers	Employee	Employer	Total
	£'000	£'000	£'000
Hazel Leys Primary & Nursery	16	68	84
Headlands Academy	51	148	199
Henry Chichele Primary	16	46	62
Higham Ferrers Junior School	22	64	86
Higham Ferrers Nursery & Infant School	13	55	68
Higham Ferrers Town Council	3	11	14
Highfield Nursery & Childrens Centre	12	51	63
Hopping Hill Primary	20	84	104
Hunsbury Park Primary	22	61	83
Huxlow Science College	40	173	213
Irchester Primary	15	61	76
Irthlingborough Inf. Academy	25	74	99
Irthlingborough Jnr. Academy	34	93	127
Irthlingborough Town Council	5	20	25
Isebrook College Academy	45	182	227
Isham CEVA Primary Academy	4	16	20
Islip Parish Council	0	1	1
Kettering Borough Council	739	3,430	4,169
Kettering Buccleuch Academy	42	196	238
Kettering Millbrook Infant School	18	76	94
Kettering Millbrook Junior School	24	101	125
Kettering Science Academy	74	184	258
KGB Cleaning	1	3	4
Kilsby Primary Academy	9	27	36
Kings Heath Academy	20	64	84
Kings Sutton Primary Academy	6	25	31
Kingsley Academy	44	172	216
Kingsley Primary	15	65	80
Kingsthorpe College Academy	58	236	294
Kingsthorpe Grove Primary School	50	150	200
Kingswood Catering	0	4	4
Kingswood Primary Academy	15	61	76
Kingswood Secondary Academy	55	225	280
Latimer Arts	65	192	257
Legacy Leisure Ltd	0	1	1
LGSS Law Ltd (NCC)	68	203	271
Lings Academy	23	55	78
Loatlands Primary Academy	16	68	84
Loddington CEVA Academy	6	21	27
Lodge Park Academy	34	147	181
Lumbertubs Primary Academy	17	52	69
Magdalen College (Academy)	12	213	225

Employers	Employee	Employer	Total
	£'000	£'000	£'000
Malcolm Arnold Academy	46	192	238
Malcolm Arnold Prep School	14	27	41
Manor School Sports College	51	184	235
Maplefields Academy	36	143	179
Mawsley Primary School	14	60	74
Maxim Facilities Management(Bishop Stopford)	2	7	9
May Gurney	49	54	103
May Gurney (NORDIS)	17	38	55
May Gurney Fleet & Passenger Services Limited	65	143	208
Mears Ashby CEVA Primary Academy	6	17	23
Middleton Cheney Community Primary Academy	14	53	67
Milton Parochial Primary Academy	5	21	26
Montsaye Academy	76	269	345
Moulton Academy	65	248	313
Moulton College	245	744	989
Moulton Parish Council	8	29	37
Moulton Primary School	21	89	110
Naseby Academy	4	9	13
National Car Parks (NCP)	7	0	7
NBC Housing	462	2,855	3,317
Newnham Primary Academy	4	18	22
Nicholas Hawksmoor Academy	19	72	91
Northampton Academy	66	216	282
Northampton Borough Council	529	4,377	4,906
Northampton College	350	1,200	1,550
Northampton High School	31	208	239
Northampton International	14	49	63
Northampton School for Boys (NonLEA)	73	278	351
Northampton School for Girls (Academy)	54	226	280
Northampton Theatres Trust	25	171	196
Northamptonshire Carers	4	14	18
Northamptonshire County Council	5260	20,687	25,947
Northamptonshire Music and Performing Arts Trust	9	34	43
Northants Chief Constable	1413	3,957	5,370
Northgate Academy	78	224	302
Oakley Vale Primary Academy	26	62	88
Oakway Academy	23	96	119
Olympic Primary Academy	15	63	78
Olympus Care Services	784	2,235	3,019
Oundle Primary School	23	68	91
Oundle Town Council	13	26	39
Our Lady of Walsingham Catholic Prim. Academy	23	72	95

Employers	Employee	Employer	Total
	£'000	£'000	£'000
Park Infant School (Raunds)	6	25	31
Park Infants Academy (Kettering)	14	64	78
Park Junior Academy (Kettering)	18	48	66
Park Junior School (Kettering)	8	35	43
Parklands Primary	23	69	92
Paulerspury Primary School	5	21	26
Peterborough Diocese Education Trust (HQ Staff)	17	54	71
Pineham Barns Primary Academy	3	0	3
Places for People (DC Leisure)	8	10	18
Polebrook CE Primary	4	12	16
Police & Crime Commissioner (NCC)	70	151	221
Preston Hedge's Primary Academy	24	68	92
Prince William School (Academy)	35	139	174
Prospects Services Ltd	10	37	47
Purple Oaks Academy	4	15	19
Pytchley Endowed CEVA Primary Academy	5	19	24
Raunds Town Council	3	20	23
Rectory Farm Primary Academy	22	67	89
Redwell Infants	21	88	109
Ringstead C of E Primary Academy	5	21	26
Risdene Academy	15	67	82
Rockingham Forest Trust	7	34	41
Rockingham Primary Academy	18	74	92
Rothwell Junior Academy	16	66	82
Rothwell Victoria Infant Academy	19	79	98
Rowan Gate	63	264	327
Rushden Community Academy	40	165	205
Rushden Primary Academy	7	31	38
Rushden Town Council	13	51	64
Rushton Primary Academy	6	24	30
Ruskin Junior Academy	15	63	78
Shaw Healthcare	12	46	58
Silverstone CE Primary Academy	1	6	7
Silverstone TUC Academy	39	62	101
Simon de Senlis Pri. Academy	32	95	127
Sir Christopher Hatton Academy	54	197	251
South End Infant Rushden	13	55	68
South End Junior Rushden	15	62	77
South Northampton Borough Council	391	3,887	4,278
South Northants Homes	113	413	526
Southfield Academy	34	134	168
Southfield Primary Academy (B)	13	56	69

Employers	Employee	Employer	Total
	£'000	£'000	£'000
Spire Homes Limited	9	215	224
Sponne School (Academy)	64	229	293
Spring Lane Primary Academy	20	63	83
St Andrews CEVA Primary (Kettering)	19	61	80
St Barnabas Church of England School	10	43	53
St Brendans Catholic Primary Academy	12	53	65
St Edwards Catholic Primary Academy	10	40	50
St Gregorys RC Primary Academy	14	93	107
St James C of E Primary School	31	128	159
St James Infant School	3	14	17
St Loys C of E Primary Academy	5	20	25
St Lukes Academies Trust HQ	4	14	18
St Lukes CEVA Primary Academy	15	63	78
St Mary's C of E Primary Academy, Burton Latimer	15	64	79
St Mary's C of E Voluntary Aided Primary Academy, Kettering	13	52	65
St Marys RC Primary Academy	10	44	54
St Patrick's Primary School	12	51	63
St Peter's Church of England Academy	11	32	43
St Thomas More Catholic Primary Academy	8	34	42
Standens Barn Primary	26	80	106
Stanion Parish Council	0	1	1
Stanwick Parish Council	1	5	6
Stanwick Primary School Academy	11	35	46
Staverton C of E Primary Academy	5	22	27
Stimpson Avenue Academy	18	73	91
Sunnyside Primary (Academy)	8	34	42
The Arbours Primary (Academy)	20	76	96
The Avenue Infants	11	50	61
The Castle (Wellingborough) Limited	1	3	4
The Castle Primary Academy	20	65	85
The Ferrers School Academy	72	205	277
The Good Shepherd RC Primary Academy	18	80	98
The Grange, Daventry	28	83	111
The Queen Eleanor Primary Academy	10	44	54
The Spires Academy	7	28	35
Thomas Becket Academy	32	134	166
Thorplands Primary Academy	27	113	140
Thrapston Primary	35	104	139
Thrapston Town Council	3	11	14
Towcester Primary Academy	15	64	79
Towcester Town Council	3	11	14
Tresham Institute	129	470	599

Employers	Employee	Employer	Total
	£'000	£'000	£'000
Trinity Lower School	4	18	22
Unity Leisure	70	261	331
University Of Northampton	1,004	3,252	4,256
University of Northampton Enterprises Ltd	50	113	163
Upton Parish Council	1	3	4
Vernon Terrace Primary	14	59	73
Victoria Primary Academy	19	69	88
Warwick Primary Academy	21	88	109
Waynelete Infants	7	30	37
Weavers Academy	53	201	254
Weedon Bec Academy	20	63	83
Weedon Parish Council	1	5	6
Weldon Primary Academy	8	35	43
Welford, Sibbertoft And Sulby Endowed School	3	12	15
Well Lady'S Catholic Junior School	19	77	96
Wellingboro Croyland Primary	42	189	231
Wellingborough Homes Ltd	24	11	35
Wellingborough Norse	74	0	74
Welton Primary Academy	5	19	24
Weston Favell Academy	50	200	250
Weston Favell Primary Academy	37	93	130
Whitehills Primary School	21	62	83
Wilbarston C or E Primary Academy	5	21	26
William Parker Academy	88	264	352
Windmill Primary Academy	13	56	69
Wollaston Community Prim Sch	11	41	52
Wollaston Parish Council	1	4	5
Wollaston Primary Academy	8	15	23
Wollaston Upper School	52	217	269
Woodford Halse Academy	21	62	83
Woodland View Academy	16	72	88
Woodnewton Learning Academy	85	290	375
Woodvale Primary (Academy)	19	69	88
Wootton Park Academy	25	71	96
Wootton Primary Academy	27	83	110
Wootton,Wootton Fields & Simpson Manor Parish Council	7	24	31
Wren Spinney Community School	11	45	56
Wrenn School Academy	68	274	342
Wrenn Spinney Community Special Academy	7	28	35
WSP	115	9	124
Grand Total	20,225	80,989	101,214

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. These seek to ensure that the Fund:

- has formulated an appropriate Investment Strategy;
- in formulating its Investment Strategy has considered and documented its approach to:
 - risk assessment and risk management,
 - pooling investments,
 - how environmental, social and governance issues are taken into account in investment selection,
 - having suitably diversified investments;
- has taken appropriate advice;
- has an appropriate number of investment managers who invest fund monies on its behalf;
- has relevant investment limits which are not exceeded;
- regularly monitors and reviews investments and investment arrangements;
- understands the restrictions on 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 supported by officers and professional investment advisers on the categories of investment in which the Fund should invest.

The Fund monitors 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 next full review of investment strategy commenced in late 2017-18 and is expected to be completed by December 2018.

Following the issue of the 2016 Regulations the investment strategy was reviewed and documented in the Investment Strategy Statement (“ISS”) which was approved by the Pension Committee in March 2017 and published on the Fund’s website before the statutory deadline of 1 April 2017.

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.

The Fund has held a series of Investment Information Days (IIDs) in 2017-18, incorporating stakeholders of both the Cambridgeshire and Northamptonshire Funds, including the Local Pension Board members, to discuss all aspects of the ISS, supported by presentations from the Fund’s Investment Consultants, Actuary and third party Investment Managers. Topics included investment styles, responsible investing and the key investment risks and other factors to be considered in the forthcoming review of investment strategy.

In accordance with plans to meet the Government's agenda for pooling LGPS funds' assets, the Fund participated in a joint procurement with fellow ACCESS funds for a new passive investment provider using the LGPS National Framework for passive investment management. The successful provider was UBS Global Asset Management, the Fund's existing provider. In September 2017 the ISC approved the terms of the new contract with UBS, and following a review of the range of funds offered by UBS the Fund agreed to reallocate its UK index and All World index passive funds to a range of regional market capitalisation and smart beta funds. This resulted in a change in geographic mix of the Fund's Equity strategic allocation from 23% UK and 41% Global to 24% UK and 40% Global. This change has been reflected in the amended ISS approved by the Pension Committee in March 2018.

Role of Investment Managers

The Investment Sub-Committee manages the appointment, retention and replacement of external investment fund managers. Managers are responsible for all "day to day" investment decisions, providing them with the flexibility to manage the Fund in such a way as to enhance returns and achieve the performance objectives for the funds. The Fund monitors manager performance and ensures manager compliance with the constraints of their Investment Management Agreement (IMA).

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 a manager;
- the relevant performance target above benchmark to reflect the intensity of their specific specialist investment brief; and
- any geographic constraints.

With the exception of one passive Global Equity mandate and one passive index-linked bond mandate, all investment managers have been given "active" briefs to outperform agreed specific benchmarks.

Following the joint procurement with fellow ACCESS fund for a passive provider, in November 2017 the ISC agreed a reallocation of the passive mandate amongst the funds offered by UBS. The implementation of the reallocation of the Funds passive mandate will be implemented in 2018/19, as follows: one half Smart Beta – equally split between fundamental indexation, quality and minimum volatility; one half market capitalisation – with ten per cent of the passive allocation in Emerging Market equities and the remainder equally split between North America, Europe and Asia.

During the year the Fund committed to new investments in infrastructure debt funds with AMP Capital Ltd and Allianz Global Investors.

There were no other new manager appointments or terminations effective during the year.

Pooling of investments

Spring Progress Update – Investment Reform

The Government is encouraging LGPS Funds to work together to put forward plans to “pool investments to significantly reduce costs, while maintaining investment performance.” In response eleven like-minded LGPS Funds (including Northamptonshire are working together under the name of ACCESS (A Collaboration of Central, Eastern and Southern Shires). Individually the participating funds have a strong performance history and potential for substantial benefits for a group of successful like-minded authorities collaborating and sharing their collective expertise. Collectively the ACCESS Pool has significant scale with assets of £43bn, managed on behalf of c3,000 employers and c900,000 members. It is the Government’s expectation that the asset pools are formed in order for assets to begin being transferred from individual LGPS Funds from 1 April 2018.

The ACCESS Pool submitted their Spring Progress report to the Ministry of Housing, Communities and Local Government (MHCLG) on 4 May 2018, which sets out the progress made by the ACCESS authorities to meet the Government’s investment reform agenda.

The report highlighted the following:

- The July 2016 submission to MHCLG indicated that **ACCESS authorities could benefit from eventual projected savings of £30m annually** (excluding any assumptions on asset growth). These estimates of savings remain consistent with current evidence.
- ACCESS authorities have appointed UBS to manage its passive mandates (approx. £11b). The **indicative saving of £5.2m per annum exceeds the estimated saving projection** of £4m per annum stated in the July 2016 submission.
- The ACCESS authorities have **appointed Link Fund Solutions (Link) as the pool’s Financial Conduct Authority (FCA) authorised Operator**. The appointment means a significant shift in governance arrangements with the Operator responsible for selecting and contracting with managers on behalf of the authorities participating in the pool.
- With the procurement phase completed, the implementation phase of the project is progressing well. **Link is preparing documentation for the FCA authorisation of an umbrella Authorised Contractual Scheme (ACS) and first sub-fund for submission in summer 2018.**
- A key element of governance arrangements focuses on the **robust management of the Operator contract and the Operator** to ensure it is held to account by the administering authorities participating in ACCESS via the Joint Committee. ACCESS is also setting up the ACCESS Support Unit (ASU) which will manage the Operator contract against specified KPIs and provide technical and secretariat support services to the Joint Committee (JC) and Officer Working Group (OWG). Interim arrangements are already in place.
- The Pooling arrangements have been set up to ensure each administering local authority may **exercise proper democratic accountability and continue to meet fiduciary responsibilities.**
- The potential for greater savings in the longer term remains, as the ACCESS pool applies its **leverage as one of the largest asset pools in the UK** and collaborates with other pools to achieve further benefits of scale in investment

management including new ways of investing in illiquid assets, in particular infrastructure.

In addition to the savings in investment management fees due to the reduction in manager numbers and an increase in mandate size, there are **other tangible benefits from pooling including a governance dividend** (potential for reduced risk due to manager diversification achieved at pool level) and tax savings for funds moving from pooled funds to segregated mandates in the pool's tax transparent ACS. For some asset classes such as global equities tax savings alone are material relative to additional costs of implementing pooling.

In September 2017 the Investment Sub Committee approved the adoption of the revised arrangement with UBS for the Fund's passive mandate, following completion of the joint procurement with fellow ACCESS funds under the LGPS National Framework for passive investment management. At 31 March 2018, £0.7bn of the Fund's assets were held in this pooled arrangement.

Investment Manager Profiles and performance targets for 2017-18

The target asset and manager allocation, associated benchmarks and performance targets at 31 March 2018 as updated for the Investment Strategy Statement.

Asset Class	Weighting (%)	Market Benchmark Adopted	Target above benchmark (%)
UK Equity	23.92		
Majedie	11.50	FTSE All-Share index	+2
UBS	11.50	FTSE All-Share index	+2
UBS passive	0.92	FTSE UK	n/a
Global Equity	40.08		
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	2.76*	FTSE North America	n/a
UBS	1.84*	FTSE Developed Europe ex UK	n/a
UBS	1.66*	FTSE Developed Asia Pacific ex Japan	n/a
UBS	2.07*	FTSE Emerging Markets Developed	n/a
UBS	1.10*	FTSE Japan	n/a
UBS	3.45*	FTSE RAFI Developed 1000	n/a
UBS	3.45*	MSCi World Quality	n/a
UBS	3.45*	MSCi World Minimum Volatility	n/a
Fixed Income	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
Alternatives			
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
Other Alternatives	10.00**		
Adams Street Private equity		MSCI World ACWI	n/a
Harbourvest Private equity		MSCI World ACWI	n/a
Alliance Global infrastructure debt			n/a
AMP infrastructure debt			n/a
M&G infrastructure private rental sector		IPD Residential Index	n/a
Total	100.00		+1.6**

* The Pension Fund Committee approved the revised strategic allocation of passive funds in March 2018. The changes will be implemented during Q1 2018-19.

** Allocation to be funded from other asset classes as commitments are made. This allocation is not included in the overall total as allocations to other asset classes will decrease as allocations to Other Alternatives increase

Investment Manager Profiles and performance targets for 2016-17

The target asset and manager allocation, associated benchmarks and performance targets at 31 March 2017.

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
Fixed Income	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	Barclays Global Aggregate Credit 1-5yr GBP Hedged Index can used for performance monitoring purposes	n/a
Alternatives			
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
Other Alternatives	10.00*		
Adams Street	Blended	MSCI World ACWI	n/a
Harbourvest		MSCI World ACWI	n/a
M&G infrastructure private rental sector		IPD Residential Index	n/a
Total	100.00		+1.6**

* Allocation to be funded from other asset classes as commitments made. This allocation is not included in the overall total as allocations to other asset classes will decrease as allocations to Other Alternatives increase.

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

The values of actual manager allocations, the percentage of the Fund and variance from the target asset allocation at 31 March 2017 and 31 March 2018 are shown below:

31 March 2017					31 March 2018		
Market Value (£m)	(%)	Above/ (below) target (%)	Asset Class	Manager	Market Value (£m)	(%)	Above/ (below) target (%)
271.5	12.0	0.5	UK Equity	Majedie	266.9	11.5	-
264.4	11.7	0.2		UBS	272.4	11.7	0.2
379.7	16.8	1.5	Global Equity	Newton	361.6	15.6	0.2
111.4	5.0	0.0		Skagen	111.3	4.8	(0.2)
517.4	22.9	2.2	Passive Global Equity	UBS	531.8	22.9	2.2
1,544.4	68.4	4.4	Total Equities		1,544	66.5	2.5
200.9	8.9	-1.1	Fixed Income	UBS Index-linked passive	202.5	8.7	(1.3)
78.6	3.5	-1.5		Wellington (Global Total Return)	80.2	3.5	(1.5)
95.6	4.2	-0.8		Wellington (Global Strategic Credit)	97.1	4.2	(0.8)
375.1	16.6	-3.4	Total Bonds		379.8	16.4	(3.6)
177.3	7.9	-0.1	Property	CBRE	193.3	8.3	0.3
154.3	6.8	-1.2	Diversified Growth	Baillie Gifford	187.1	8.1	0.1
2.5	0.1	0.2	Private equity	Harbourvest	7.5	0.3	0.3
-	-	-		Adams Street	0.6	-	-
0.9	0.1	0.1		Catapult	0.7	-	-
-	-	-	Infrastructure private rental sector	M & G	-	-	-
-	-	-	Infrastructure debt	Allianz Global	-	-	-
-	-	-		AMP	8.5	0.4	0.4
335.0	14.9	-1.0	Total Alternatives		397.7	17.1	1.1
2.3	0.1	0.1	Cash	Cash	0.5	-	-
2,256.8	100.0		Total		2,322.0	100.0	

Performance monitoring

Investment manager performance is reviewed quarterly by the Investment Sub-Committee. 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 Manager Performance for periods ending 2017-18

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	(2.2)	1.2	(3.4)	4.7	5.9	(1.2)	10.3	6.7	3.6
UBS ¹	3.2	1.2	2.0	8.4	5.9	2.5	8.8	6.7	2.1
Global Equity									
Newton	3.0	2.4	0.6	9.3	10.2	(0.9)	9.1	9.6	(0.5)
Skagen	(0.2)	2.9	3.1	7.8	10.8	(3.0)	n/a	n/a	n/a
UBS Passive	2.8	2.9	(0.1)	10.8	10.9	(0.1)	n/a	n/a	n/a
Fixed Income									
UBS Index-linked	0.7	0.7	-	n/a	n/a	n/a	n/a	n/a	n/a
Wellington (Global Total Return)	1.7	4.5	(2.8)	0.0	4.6	(4.6)	n/a	n/a	n/a
Wellington (Global Strategic Credit)	1.5	0.2	1.3	1.8	1.2	0.6	n/a	n/a	n/a
Property									
CBRE	9.3	10.0	(0.7)	8.3	8.1	0.2	4.0	5.4	(1.4)
Diversified Growth Fund									
Baillie Gifford	4.9	3.9	1.0	4.6	3.9	0.7	n/a	n/a	n/a

Performance is reported net of investment manager fees.

n/a = Not invested for the full period therefore no meaningful performance measure is available.

Performance in comparison with Local Authority Universe

The Local Authority Universe is a national scheme consisting of 61 Pension Funds. This scheme compares many aspects of Fund performance, the key areas of which are shown on the following pages.

The Fund participates in PIRC Ltd's benchmarking of local authority investment performance, which provides useful information on how well the Fund has performed in comparison with other local authorities

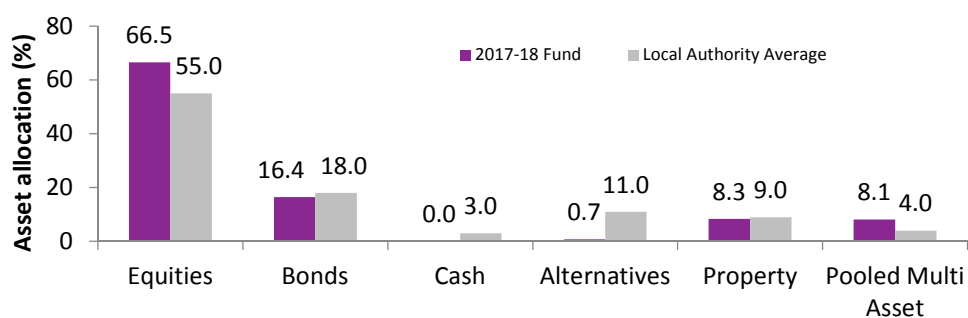
Investment Performance 2017-2018

Investment performance data comparing the Northamptonshire County Council 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 2018						
		The Fund	The Benchmark	Consumer Price Index	UK Average Weekly Earnings Index	Local Authority Average
2017-2018	1 year	2.6	2.9	2.5	2.9	4.5
2015-2018	3 years	7.7	7.9	1.7	2.4	8.3
2013-2018	5 years	8.6	8.5	1.4	2.1	8.8
2008-2018	10 years	7.3	7.7	2.3	1.9	7.7

(Sources: WM, Mercer, PIRC and Thomson Reuters).

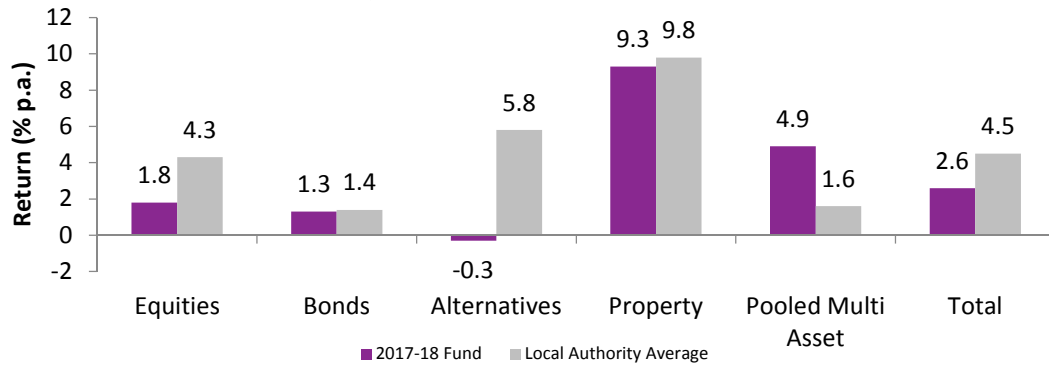
Asset Mix Compared to the Local Authority Universe



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 the immature programme of alternatives.

Investment Return Compared to Local Authority Universe

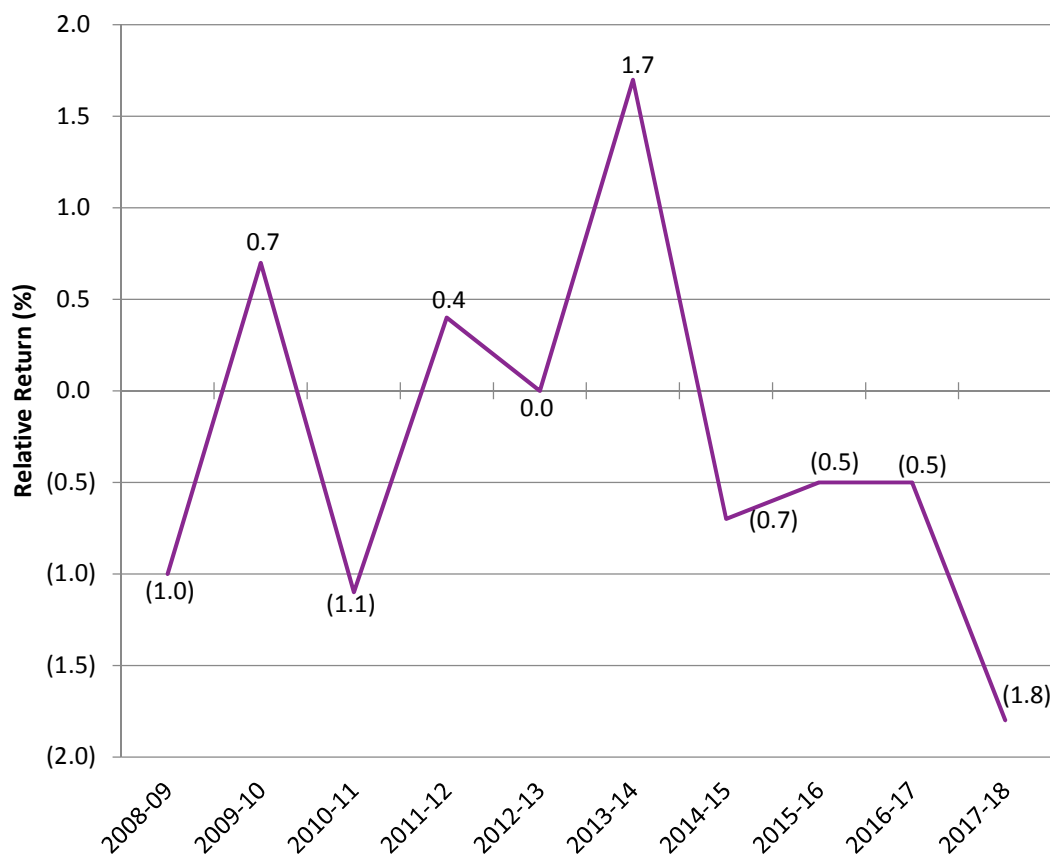
1 year return annualised



Year	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Annual Return (%)										
Total Fund	(20.7)	36.1	7.2	3.0	13.8	8.2	12.4	0.2	22.1	2.6
Local Authority Benchmark	(19.9)	35.2	8.2	2.6	13.8	6.4	13.2	0.6	21.4	4.5

The table above compares the Fund's performance with the Local Authority Average for the ten years since 2008-09. The relative performance is shown graphically below.

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.

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 policies and procedures in place 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; and
- providing the administering authority with monthly valuations of the scheme’s assets and details of all transactions during the quarter.

Economic background

The previous financial year ended strongly continuing a period of extremely healthy investment returns, particularly in equity markets. Markets had sold off in the immediate aftermath of the surprise US Presidential election result but soon recovered on hopes that a Trump Presidency would lead to increased expenditure on infrastructure and the possibility of economically stimulating tax cuts. Pacific Rim and Emerging Markets were particularly strong. However as the new financial year began the "Trump trade" rally was beginning to lose momentum as investors started to worry about lack of progress in terms of implementation and the extent to which the campaign rhetoric was meeting the reality of a sceptical Congress.

The UK's departure from the EU was officially instigated a few days prior to the new financial year by invoking article 50 of the EU treaty, putting in place a two-year deadline for exiting. Despite all the uncertainty since the 'Brexit' vote in the previous July the UK economy was continuing to grow, albeit at a moderate pace of 1.9%. As the year progressed economic data for the UK was becoming more mixed, particularly consumer confidence, which appeared to be weakening as pressure built on incomes that were failing to match inflation. Continental Europe in contrast was beginning to show signs of genuine economic momentum, PMI figures across the continent were strong and getting stronger, even the cautious German consumer was showing real signs of a spending recovery. Japan was delivering steady economic growth, continued corporate governance reforms and equity market which now appeared cheap in international terms. However the dominant investment theme was the extent to which Sterling had fallen over the previous year. This had influenced both the returns on overseas assets to UK based investors and the FTSE100 index, which is dominated by companies earning profits in overseas currencies.

The second quarter of the financial year saw further modest gains to equity markets. European markets continued to perform strongly driven by better than expected economic performance and by positive reaction to the French Presidential election. In contrast the decision by Prime Minister May to hold an election to strengthen her position, in part over 'Brexit' negotiating, rebounded disastrously and if anything appeared to have weakened Britain's position. The continued weakness in Sterling was now being seen in increased inflation figures with UK bonds falling sharply over the quarter.

Financial markets in the third quarter of the calendar year continued to follow a similar pattern with equities making further upward progress and bonds losing ground. Sterling had stopped falling and had now begun to strengthen gradually against the US dollar. In contrast Sterling was still close to the recent lows against the Euro. The continued strength of global equity markets was all the more remarkable given geopolitical uncertainties surrounding developments on the Korean Peninsula, Catalonia and apparent policy paralysis in Washington, where the much heralded Trump tax reforms had made little progress over the summer. However, synchronised global economic growth and inflation remaining subdued provided just enough impetus to keep stock markets buoyant, if stretched in valuation terms. Since the US election, US equities had risen 20% with many other equity markets enjoying similar strong returns. Corporate earnings had also been strong often beating market expectations.

The calendar year ended with more positive returns driven in part by a growing optimism that the recent positive economic momentum seen across the globe was likely to continue into the New Year. Even the UK equity market performed strongly despite the Bank of England raising interest rates for the first time in a decade. Even

more surprising was the fall in Gilt yields, closing the year at 1.23% the same level as twelve months previously. Driven by strong global demand and a slightly weakened dollar commodity prices ended the year very strongly. Industrial metals recorded gains of 27% over twelve months and Brent crude had recovered to \$70/barrel a rise of 50% over the previous eighteen months.

The first quarter of 2018 saw a steep fall in markets and the return of volatility as fears over potential inflationary pressures, exacerbated by fears over a trade war between the US and China combined with stretched valuations. The UK equity market experienced sharp falls partly as response to on going nervousness over Brexit but equally because the continuing recovery of Sterling acted as a drag on profits from the overseas earners that dominate the FTSE 100. However despite the return of volatility in equities and some heavy falls most markets were beginning to show some recovery as the financial year ended.

Market Returns

Financial market returns for the financial year 2017/18 were positive with all major equity markets delivering positive returns. Overseas asset returns were reduced for Sterling based investors due to a recovery in the currency, most noticeably against the US dollar where Sterling strengthened by more than 10% over the period. In local currency terms most regions delivered double-digit returns, the Emerging Markets and Japan lead the way with returns of 19% and 15% respectively. Global bonds fell in Sterling terms while UK Gilts rose 2.2%. After a number of strong years returns from UK Index Linked Gilts were muted returning just 0.7% over the financial year.

The FTSE All share index, returned just 1.2% over the period as overseas earnings, were reduced on translation by a recovering Sterling. UK Property gained 11.3% delivering a stronger result than many commentators predicted given the uncertainty over 'Brexit'. Although central London office returns were subdued regional industrial and distribution assets delivered strong growth. In dollar terms commodities gained 13.8% benefitting from increased demand from a strong global economy and a recovering Oil price boosted by good discipline from OPEC members.

Fund Performance

The Northamptonshire County Council Pension Fund reached £2,322m in value at the end of the financial year. The fund slightly underperformed the benchmark during 2017/18. A total return of 2.6% compared to 2.9% for the bespoke benchmark. The main driver of this underperformance was relative returns from both active overseas equity managers, who delivered performance below their benchmark for the period. In the UK good relative returns from the value orientated manager were partially off set by disappointing returns from the other UK equity manager who adopts a focused but flexible investment style. Unfortunately after many years of strong relative returns 2017/18 was a disappointing year for this manager. The diversified growth fund, which has an absolute return benchmark, performed strongly. The fund's bond returns were mixed with credit performing well offset by another disappointing year in absolute return global bonds. The property portfolio performed slightly below a strong benchmark, real estate debt enjoyed a very strong year. Strong public market conditions helped the funds' private equity manager deliver a very strong performance substantially above the benchmark.

The underperformance over one year slightly reduces the longer-term performance against the benchmark. Over three years the fund has returned 7.7% per annum, only marginally below the benchmark of 7.9%. Over five years the fund return is 8.6% per annum beating the benchmark of 8.5%. At the March 2016 actuarial valuation the target return for the fund was set at 4.0% p.a. The Fund has achieved a significantly greater return over this period of 11.8%, which is also ahead of the benchmark.

Strategic Asset Allocation: Investment Strategy Statement

The Fund's Investment Strategy Statement (ISS) makes clear that strategic asset allocation is the key factor in determining the risk and return profile of the Fund's investments. It also recognises, that the Fund is an open scheme with long-term liabilities, which consist of an obligation to pay benefits linked to inflation. In setting the strategic allocation the Committee also takes into account the covenant associated with the Fund's employers in deciding how much risk is appropriate. The Committee will retain full responsibility for strategic asset allocation even after the ACCESS pool becomes fully operational.

Strategic Asset Allocation: ISC Review

It is good governance to review the investment strategy and strategic asset allocation on a periodic basis. The aim of any review will be to consider new information derived from the triennial actuarial review, including changes to liabilities. Changes in the overall market environment and a review of new investment solutions should also be considered. The fundamental principle of the schemes investment strategy is to reach full funding and be in a position to pay benefits as they fall due while ensuring that contributions remain affordable to employers. With this as a frame work the ISC considered the following issues.

The current investment strategy has been evolving over recent years but has maintained its main themes of investing in a broad spread of diversified return and income generating assets, complimented by a smaller weighting to risk mitigation assets including index linked bonds. The investment strategy of the scheme continues an emphasis long-term return generation over short term risk mitigation and seeks to achieve this by having a core allocation to equities within a strategically diversified overall portfolio. However as the funding level of the scheme has improved and valuations, particularly in equity markets have become further stretched consideration of the risks inherent in the current strategy and opportunities to reduce this risk is appropriate. The current target allocation to equities is 64%. A further 16% is allocated to growth assets offering strategic diversification, split equally between property and a diversified growth Fund.

The remaining target allocation of 20% is currently invested in bonds, split between index linked Gilts and mandates less exposed to rising interest rates, such as total return and global credit. Private equity, infrastructure and residential property exposure is being introduced or increased and this is a process that will continue into the new financial year. The ISC have undertaken to examine whether a decrease in the exposure to equities is prudent at this time. By far the majority of expected return and risk is derived from the equity portion of the fund.

Outlook

Looking forward to the coming year the passing of the Republican tax bill cutting US corporate and personal income taxes have given the markets further confidence that growth will continue into 2018. Away from the US, Japanese and Asian markets continue to strengthen as the capital goods cycle matures. In Europe economic indicators remain positive although the strength in the Euro has begun to restrain earnings growth. Despite the falls seen at the end of the financial year the recent rise in global equities have left markets expensive on both an earnings and dividend basis. The US in particular on some measures sits at a valuation level above that seen just prior to the 1929 crash. Even taking into account the historically low interest rates present in many markets the outlook for further significant rises in equities looks unlikely at this time

The coming year is expected to see the return of market volatility; many aspects of investment uncertainty remain both on the geopolitical and valuation fronts. The journey towards pooling will be completed by the end of the period and many exciting opportunities for co-operation and increased resources will be available to the ACCESS pool. The high standards of governance from the ISC will continue with a wide-ranging review of the strategic asset allocation to be undertaken during the year. The review will focus delivering the funding strategy of the scheme while reducing reliance on equity returns, reducing volatility and gaining exposure to additional return generating assets.

Mark Stevens

May 2018

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 48,631 Active members, 63,685 deferred members and 33,754 pensioner members.

Pension Fund Website

The LGSS Pensions dedicated website contains detailed information for all the Fund's stakeholders and has dedicated members and employer hubs, 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.

The member hub has an integrated self-service facility allowing members to securely access their own records held on the pensions database. Members can view and/or amend their personal information and perform benefit projections. It is also used to provide active and deferred members with their annual benefits statement.

We have actively promoted the use of self service to our active members through individual letters, member newsletters, posters and promotion on our website. We have also encouraged employers to promote self-service to their members.

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 has also been promoted as the primary method for employers to obtain benefit estimates for their members. This provides efficiencies for both LGSS Pensions and our employers by reducing the number of enquiries received by LGSS Pensions by enabling employers to run their own estimates, with the benefit of allowing them to obtain results immediately, when they need them.

We have delivered a number of training sessions to employers, showing them the benefits of ESS and how to use the systems. This has also included large payroll providers who are amongst our biggest data providers.

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, and other data providers, to implement i-Connect. This will achieve significant efficiencies for both the Fund and scheme employers.

From 1st April 2018 we are targeting District and Borough Councils for migration to i-Connect. We will also be carrying out a trial with some of our smaller employers to test a new online i-Connect portal designed to allow monthly reporting by smaller employers for whom the traditional i-Connect extract is not appropriate. If successful, this will be rolled out to all smaller employers in 2019.

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).

- Five Stage 1 IDRPs relating to administering authority decisions arose and were dealt with in 2017/2018. The subjects of the complaints and whether they were upheld are detailed below :
 - i) Refusal to allow member to transfer out benefits to a different scheme. Complaint not upheld.
 - ii) Payment of additional pension contributions. Complaint not upheld.
 - iii) Rate of interest due on late payment of pension. Complaint not upheld.
 - iv) Allowable use of Additional Voluntary Contributions (AVCs) for a deferred member. Complaint partially upheld as incorrect information was provided in 2002, however the member cannot use AVCs to provide either additional LGPS pension or membership, as was being contended.
 - v) Reduction of pension to correct value and recovery of overpaid pension. Complaint not upheld.
- One Stage 1 IDRPs relating to an administering authority decision arose in 2017/2018, but remained outstanding at 31 March 2018.
- One Stage 2 IDRPs relating to an employer decision arose and was dealt with in 2017/2018. The complaint concerned refusal to grant payment of immediate pension benefits on ill health grounds from active membership and the complaint was upheld.
- Two Stage 2 IDRPs relating to administering authority decisions arose and were dealt with in 2017/2018. The complaints in both cases were not upheld and they related to:
 - i) Payment of additional pension contributions. Complaint not upheld.
 - ii) Allowable use of Additional Voluntary Contributions (AVCs) for a deferred member.

One Stage 2 IDRPs relating to an administering authority decision arose in 2017/2018, but remained outstanding at 31 March 2018.

Actuarial Report on Funds

Northamptonshire Pension Fund (“the Fund”) Actuarial Statement for 2017/18

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority’s Funding Strategy Statement (FSS), dated March 2017. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long term view. This will ensure that sufficient funds are available to meet all members’/dependants’ benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- 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.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still around a 66% likelihood that the Fund will return to full funding over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2016. This valuation revealed that the Fund’s assets, which at 31 March 2016 were valued at £1,871 million, were sufficient to meet 78% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £517 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2017 to 31 March 2020 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 2016 valuation report.

Method

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

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 2016 valuation were as follows:

Financial assumptions	31 March 2016
	% p.a. Nominal
Discount rate	4.0%
Salary increase assumption	2.4%
Benefit increase assumption (CPI)	2.1%

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 2013 model, assuming the current rate of improvements has reached a peak and will converge to 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	22.1 years	24.2 years
Future pensioners*	23.9 years	26.1 years

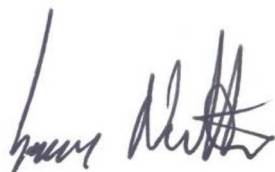
*Aged 45 at the 2016 valuation.

Copies of the 2016 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 31 March 2016

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities and there have been strong asset returns, particularly during 2016/17. Both events are of broadly similar magnitude with regards to the impact on the funding position.

The next actuarial valuation will be carried out as at 31 March 2019. The Funding Strategy Statement will also be reviewed at that time.



Geoff Nathan FFA
 For and on behalf of Hymans Robertson LLP
 20 April 2018
 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 2016. 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 2016 in respect of benefits earned by members up to this date (along with a comparison at the last formal valuation at 31 March 2013).

Past Service Position	31 March 2013 (£m)	31 March 2016 (£m)
Past Service Liabilities	2,191	2,388
Market Value of Assets	1,545	1,871
Surplus/(Deficit)	(646)	(517)
Funding Level	70.5%	78.4%

The improvement in funding position between 2013 and 2016 is mainly due to strong investment performance over the inter-valuation period, coupled with the positive impact on the liabilities of actual pay and benefit growth being lower than expected.

Contribution rates

The table below summarises the whole fund Primary and Secondary Contribution rates at this triennial valuation. The Primary rate is the payroll weighted average of the underlying individual employer primary rates and the Secondary rate is the total of the underlying individual employer secondary rates (before any pre-payment or capitalisation of future contributions), calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate (% of pay)	Secondary Rate (£)		
	2017/18	2018/19	2019/20
1 Apr 17 – 31 Mar 17	£24,731,000	£22,348,000	£23,214,000
17.1%			

The Primary rate also includes an allowance of 0.7% of pensionable pay for the Fund’s expenses. The average employee contribution rate is 6.3% of pensionable pay.

At the previous formal valuation at 31 March 2013, a different regulatory regime was in force. Therefore a contribution rate that is directly comparative to the rates above is not provided. Broadly, contributions required to be made by employers in respect of new benefits earned by members (the primary contribution rate) have increased as future expected investment returns have fallen. Changes to employer contributions targeted to fund the deficit have been variable across employers.

The minimum contributions to be paid by each employer from 1 April 2017 to 31 March 2020 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 current Governance Policy and Compliance Statement was reviewed in October 2017 and has been published on the Funds website <http://pensions.northamptonshire.gov.uk/app/uploads/2018/01/Governance-Policy-and-Compliance-Statement-2017.pdf> and is in appendix A of this report. The statement was updated to reflect changes in the Council's Constitution as a result of national asset pooling.

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 2017-18.

		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	4/5	4/4
	Cllr M Tye	3/5	-
	Cllr J Brookfield	4/5	-
	Cllr A Sadygov	2/5	1/4
	Cllr B Scott	5/5	2/4
	Cllr S Legg	5/5	-
District/Borough/Police and Fire Representatives	Cllr P Rawlinson	1/5	-
	Cllr R Lewis	4/5	-
All Other Employers' Representatives	Roger Morris (to July 17)	1/1	1/1
	Robert Austin (from July 17)	3/4	2/3
	Alicia Bruce (to July 17)	1/1	0/1
	Damian Pickard (from July 17)	3/4	3/3
Member Representatives	Peter Borley-Cox	3/5	3/4
	Josie Mason (to August 17)	0/2	-
	Janet Blunden (from Sept 17)	2/3	-

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 2017-18.

		Attendance at Local Pension Board Meetings
Scheme Employers	Cllr A Matthews	3/4
	Cllr M Scrimshaw	2/4
	Audra Statham	4/4
Scheme Representatives	Paul Evans	4/4
	Ged Carlton (retired Dec 17)	2/3
	Penny Smith (from Dec 17)	1/1
	Nina Thomas (retired Dec 17) Vacant (from Dec 17)	2/3 N/A

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 June 2017, followed by a 30 day consultation period with the scheme's employers. The current strategy is published on the LGSS Pensions website and can be found in Appendix D 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:

Function/Task	Indicator	Target
Provide new employees with scheme information	Within the automatic enrolment joining window.	100%
Provide LGSS Pensions with accurate year end information in prescribed format	Information to be provided for all members by 30 April following contribution year end	100%
Discretions must be reviewed and amended as necessary	Any amendments to discretion must be confirmed in writing within 30 days from change	100%

The Administration Strategy Statement can be found on the Northamptonshire Pension Fund website,

<http://pensions.northamptonshire.gov.uk/app/uploads/2017/09/AdministrationStrategy2017Final.pdf>

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 ensuring 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 was reviewed as part of the 2016 valuation exercise to ensure that the strategy is appropriate and relevant.

In 2017-18, changes following the 2016 valuation were applied. These revaluations have seen a decrease in deficit contributions payments, which explains why contributions have not increased at the same proportion as membership over the year.

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/app/uploads/2012/11/Northamptonshire-Admitted-body-Scheme-employer-and-bulk-TV-policy-Final-2015.pdf>

The Funding Strategy Statement was updated in March 2017 and can be found on the Northamptonshire Pension Fund website,

<http://pensions.northamptonshire.gov.uk/app/uploads/2018/01/Funding-Strategy-Statement.pdf> and in Appendix B of this report.

Investment Strategy Statement

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (“the 2016 Regulations”), which came into force on 1 November 2016, require an administering authority, after taking proper advice and consulting with such persons as it considers appropriate, to formulate and publish its investment strategy in the Investment Strategy Statement (“ISS”).

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 Investment Strategy Statement. The ISS contains reference to the FSS for information.

The investment strategy must be reviewed and if necessary revised by the administering authority from time to time, and at least every three years, and publish a statement of any revisions.

The purpose of this document is to satisfy the requirements of the 2016 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 Investment Strategy Statement. This document contains reference to the FSS for information.

During 2017-18 the Fund held a series of Investment Information Days (IIDs) for the Pension Committee and members of the Local Pension Board, to discuss all aspects of the Fund’s policies detailed in the ISS assisted by presentations from the Fund’s Investment Consultants (Mercer), the Fund’s Actuary (Hymans) and external fund managers. This resulted in minor amendments to the ISS which were approved by the Pension Committee on 23 March 2018 and published on the Fund’s web pages.

The current ISS can be found at: <http://pensions.northamptonshire.gov.uk/governance/key-documents/northamptonshire/> and in Appendix C of this report.

Communication Strategy Statement

The Communications Strategy 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 March 2017 and is due to be reviewed again during the 2018/19 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 Strategy the Fund's website has dedicated sections that provide up to date and detailed information for members, prospective members, employers, and other stakeholders.

Communications with the scheme's employers take place on a regular basis through the use of newsletters and bulletins which cover subjects such as changes to reporting procedures, changes to scheme rules and other pension matters relevant to employers and/or their members.

The Fund delivers a wide range of training to employers, which includes one to one training, webinars, workshops and forums. Some of the specific topics covered by these methods are calculating pensionable pay, dealing with ill health retirements and pension considerations when outsourcing. In addition bespoke training is available to employers upon request to assist with employer performance where appropriate.

The Communication Strategy Statement can be found on the Northamptonshire Pension Fund website

<http://pensions.northamptonshire.gov.uk/app/uploads/2017/04/2017-Communications-Strategy.pdf>

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 2018.

Employer Type	Active	Ceased	Total
Scheduled body	77	14	91
Admitted body	48	44	92
Designated body	32	8	40
Total	157	66	223

An analysis of fund investment assets and liabilities as at 31 March 2018:

	UK	Global	Total
	£m	£m	£m
Equities	520.3	1,198.5	1,718.8
Bonds	202.5	177.3	379.8
Property - pooled holdings	165.6	-	165.6
Alternatives	0.7	16.5	17.2
Cash and cash equivalents	40.7	-	40.7
Other	-	-	-
Total	929.8	1,392.3	2,322.1

An analysis of investment income accrued as at 31 March 2017:

	UK	Global	Total
	£'000	£'000	£'000
Equities	20,217	7,132	27,349
Bonds	-	2,747	2,747
Property - pooled holdings	8,059	-	8,059
Alternatives	14	186	200
Cash and cash equivalents	143	-	143
Other	262	-	262
Total	28,695	10,065	38,760

In the above tables investments in pooled funds should be allocated in categories based on the nature and domicile of the underlying assets.



Independent auditor's report to the members of Northamptonshire County Council on the Pension Fund financial statements published with the Northamptonshire Pension Fund Annual Report

We have examined the pension fund financial statements for the year ended 31 March 2018 on pages 61 to 94.

Respective responsibilities of the Director of finance and the auditor

As explained more fully in the Statement of the Director of Finance Responsibilities the Director of Finance 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 2017/18.

Our responsibility is to report to you our opinion on the consistency of the Pension Fund financial statements included in the Northamptonshire 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 2017/18.

In addition, we read the information given in the Northamptonshire 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 2018 and comply with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

We have not considered the effects of any events between the date we signed our report on the full annual Northamptonshire County Council published statement of accounts on 27 November 2019 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 Northamptonshire 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.

A handwritten signature in black ink, appearing to read 'Andrew Cardoza', written over a horizontal line.

Andrew Cardoza

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill,
Snow Hill Queensway
Birmingham
B4 6GH

30 January 2020

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 2017 to 31 March 2018.

These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting ('Code of Practice') in the United Kingdom 2017-18 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 2018

2016-17 £000		Notes	2017-18 £000
	Dealing with members, employers and others directly involved in the Fund		
(101,435)	Contributions	7	(101,214)
(4,716)	Transfers in from other Pension Funds	8	(4,650)
(106,151)			(105,864)
80,068	Benefits	9	89,806
10,472	Payments to and on account of leavers	10	33,334
90,540			123,140
(15,611)	Net (additions)/withdrawals		17,276
8,222	Management expenses	11	8,486
(7,389)	Net (additions)/withdrawals Including Management expenses		25,762
	Returns on investments		
(40,760)	Investment income	12	(38,760)
53	Taxes on income	13	470
(363,507)	(Profit) and losses on disposal of investments and changes in the market value of investments	14a	(26,408)
(404,214)	Net return on investments		(64,699)
(411,603)	Net (increase)/decrease in the net assets available for benefits during the year		(38,937)
1,871,026	Opening net assets of the scheme		2,282,629
2,282,629	Closing net assets of the scheme		2,321,566

Net Assets Statement as at 31 March 2018

31 Mar 2017 £000		Notes	31 Mar 2018 £000
2,260,799	Investment assets	14	2,325,634
(3,920)	Investment liabilities	14	(3,549)
2,256,879	Total net investments		2,322,085
31,722	Current assets	21	20,019
(5,972)	Current liabilities	22	(20,538)
25,750	Net Current Assets		(519)
2,282,629	Net assets of the Fund available to Fund benefits at the period end		2,321,566

Notes on pages 63 to 94 form part of the financial statements.

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

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 Annual Report 2017-18 on pages 4 to 59 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 2016.

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 2018 there are 157 (2017: 147) employer organisations within Northamptonshire Pension Fund including the County Council itself. Employer organisations include all organisations within a trust as one employer. The total number of organisations as at 31 March 2018 was 305 (2017: 287), an increase of 18 organisations.

	31 March 2017	31 March 2018
Number of organisations with active members	287	305
Number of employees in scheme		
County Council	7,269	6,815
Other Employers	13,155	14,319
Total	20,424	21,134
Number of Pensioners		
County Council	7,823	7,915
Other Employers	7,626	7,785
Total	15,449	15,700
Deferred Pensioners		
County Council	15,137	15,352
Other Employers	12,180	13,068
Total	27,317	28,420
Total Membership	63,190	65,254

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) and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2018. Employers' contributions are set as part of the triennial actuarial funding valuation. The last such valuation was at 31 March 2016. 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 updated 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 One Angel Square, Northampton or online at www.pensions.northamptonshire.gov.uk

2 Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2017-18 financial year and its position at year-end as at 31 March 2018. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2017-18* 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 (where material) 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 are recognised as income or expenses and comprise all realised and unrealised profits/losses during the year.

d) Stock lending

Stock lending income is recognised in the Fund Account as it accrues. Stock lending income represents the transfer of securities by the Pension Fund to an approved counterparty (“Borrower”), against a receipt of collateral (non-cash), for a fee, subject to the obligation by that same counterparty to redeliver the same or similar securities back to the Lender at a future date. Securities on loan remain assets of the Fund and are recorded in the net assets statement at fair value.

Fund account – expense items

e) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

f) Taxation

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.

g) Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Fund discloses its pension fund management expenses in accordance with CIPFA’s *Accounting for Local Government Pension Scheme Management Expenses (2016)*.

h) Administrative expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pensions administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as an expense to the Fund.

i) Oversight and governance costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

j) 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 11a.

Where an investment manager's fee note has not been received by the year end 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. In 2017-18, £0.5m of fees are based upon such estimates (2016-17: £ 0.09m).

The cost of obtaining investment advice from external consultants is charged direct to the Fund and A proportion of the Council's costs representing management time spent by officers on investment management are also charged to the Fund.

Net Assets Statement

k) 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 at fair value in accordance with the requirements of the Code and IFRS13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

l) 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.

m) 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 (see Note 15).

n) 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.

o) Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date, except for loans and receivables. 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.

p) 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 IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 20).

q) Additional voluntary contributions

The Northamptonshire Pension Fund provides an additional voluntary contributions (AVC) scheme 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(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 23).

r) Contingent assets and liabilities

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of a narrative in the notes.

4 Critical Judgement In Applying Accounting Policies

Pension Fund liability

The net Pension Fund liability is recalculated 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. This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 19.

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

5 Assumptions Made About The Future and Other Major Sources Of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the Balance Sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the Net Assets Statement as at 31 March 2018 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 £352 million. A 0.25% increase in assumed earnings inflation would increase the value of liabilities by approximately £22.5million, and a one year increase in assumed life expectancy would increase the liability by approximately 3-5%
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 £ 17.4 million. There is a risk that this investment may be under or overstated in the accounts.

6 Events After the Balance Sheet Date

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of event may be identified:

- a) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period), and
- b) those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

If new information was received relating to, for example, an estimated year end valuation of an investment, and this information showed the year end estimate to be materially under or over valued, this would be an adjusting item and the financial statements would be amended.

If, for example, the stock market declined during the period between the year end date and the issue of the authorised financial statements, this would be a non-adjusting event and the valuation of equities would remain at the value on 31 March 2018.

There have been no events since 31 March 2018, and up to the date when these accounts were authorised that require any adjustments to these accounts.

7 Contributions Receivable

By category

2016-17 £000		2017-18 £000
19,306	Employees' contributions	20,225
	Employers' contributions:	
54,630	Normal contributions	59,001
27,499	Deficit recovery contributions	21,988
82,129	Total Employers' contributions	80,989
101,435	Total	101,214

By authority

2016-17 £000		2017-18 £000
28,135	Administering Authority	25,943
67,338	Scheduled Bodies	71,749
5,962	Admitted Bodies	3,522
101,435	Total	101,214

8 Transfers In From Other Pension Funds

2016-17 £000		2017-18 £000
4,716	Individual transfers	4,650
4,716	Total	4,650

9 Benefits Payable

By category

2016-17 £000		2017-18 £000
63,869	Pensions	71,852
14,866	Commutation and lump sum retirement benefits	16,571
1,333	Lump sum death benefits	1,383
80,068	Total	89,806

By authority

2016-17 £000		2017-18 £000
38,104	Administering Authority	41,089
38,120	Scheduled Bodies	41,986
3,844	Admitted Bodies	6,731
80,068	Total	89,806

10 Payments To and On Account of Leavers

2016-17 £000		2017-18 £000
255	Refunds to members leaving service	314
58	Payments for members joining state scheme	147
3,308	Group transfers	25,035
6,851	Individual transfers	7,838
10,472	Total	33,334

11 Management Expenses

2016-17 £000		2017-18 £000
1,466	Administrative costs	1,837
6,338	Investment expenses (See 11a)	6,289
418	Oversight and governance costs	360
8,222	Total	8,486

Governance expenses include a £7.5k Audit fee for additional work relating to 16/17.

11a Investment Management Expenses

2016-17 £000		2017-18 £000
3,745	Management fees	4,251
1,451	Transaction costs	1,679
614	Performance related fees	-
528	Other expenses	359
6,338	Total	6,289

12 Investment Income

2016-17 £000		2017-18 £000
-	Income from bonds	0
23,637	Income from equities	26,844
13,657	Pooled property investments	8,059
3,005	Pooled investments	3,252
192	Interest on cash deposits	143
269	Other	462
40,760	Total	38,760

13 Taxes on Income

2016-17 £000		2017-18 £000
53	Withholding tax – equities	470
53	Total	470

14 Investments

Market value 31 March 2017 £000		Market value 31 March 2018 £000
	Investment assets	
-	Bonds	-
843,989	Equities	847,092
1,182,505	Pooled investments	1,251,479
169,741	Pooled property investments	165,615
3,328	Private equity/infrastructure	17,370
	Derivative contracts:	
53	• Forward currency contracts	3
58,072	Cash deposits	40,526
2,949	Investment income due	3,280
162	Amounts receivable for sales	269
2,260,799	Total investment assets	2,325,634
	Investment liabilities	
	Derivative contracts:	
	• Forward currency contracts	
(3,918)	Amounts payable for purchases	(3,548)
(2)	Amounts payable for pending spot FX	(1)
(3,920)	Total investment liabilities	(3,549)
2,256,879	Net investment assets	2,322,085

14a: Reconciliation of movements in investments and derivatives

	Market value 1 April 2017	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 2018
	£000	£000	£000	£000	£000
Bonds	-	-	-	-	-
Equities	843,989	204,472	(193,081)	(8,288)	847,092
Pooled investments	1,182,505	44,797	(8,394)	32,571	1,251,479
Pooled property investments	169,741	25,746	(31,319)	1,447	165,615
Private equity/ infrastructure	3,328	14,721	(1,664)	985	17,370
	2,199,563	289,736	(234,458)	26,715	2,281,556
Derivative contracts:					
• Forward currency contracts	53	365	(315)	(100)	3
• Spot currency contracts	-	-	-	-	-
	2,199,616	290,101	(234,773)	26,615	2,281,559
Other investment balances:					
• Cash deposits	58,072	-	-	(125)	40,526
• Amounts receivable for sales of investments	162			-	269
• Investment income due	2,949			-	3,280
• Spot FX contracts	(2)			(50)	(1)
• Amounts payable for purchases of investments	(3,918)			(34)	(3,548)
Net investment assets	2,256,879			26,406	2,322,085

14a: Reconciliation of movements in investments and derivatives (continued)

	Market value 1 April 2016	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Market value 31 March 2017 £000
Bonds	-	-	-	-	-
Equities	677,033	195,339	(194,808)	166,425	843,989
Pooled investments	971,588	7,132	(3,673)	207,458	1,182,505
Pooled property investments	174,032	16,251	(9,879)	(10,663)	169,741
Private equity/ infrastructure	1,173	2,501	(929)	583	3,328
	1,823,826	221,223	(209,289)	363,803	2,199,563
Derivative contracts:					
• Forward currency contracts	(121)	1,612	(879)	(559)	53
• Spot currency contracts	-				
	1,823,705	222,835	(210,168)	363,244	2,199,616
Other investment balances:					
• Cash deposits	28,979	-	-	361	58,072
• Amounts receivable for sales of investments	1,000			-	162
• Investment income due	4,238			-	2,949
• Spot FX contracts	-			(112)	(2)
• Amounts payable for purchases of investments	(2,113)			14	(3,918)
Net investment assets	1,855,809			363,507	2,256,879

Purchases and sales of derivatives are recognised in Note 14(a) above as follows:

- Futures – on close out or expiry of the futures contract the variation margin balances held in respect of unrealised gains or losses and recognised as cash receipts or payments, depending on whether there is a gain or loss.
- Forward currency contracts – forward foreign exchange contracts settled during the period are reported on a gross basis as gross receipts and payments.

14b: Analysis of investments

31 March 2017 £000		31 March 2018 £000
	Bonds	
	UK	
-	Public sector quoted	-
-		-
	Equities	
	UK	
486,322	Quoted	495,783
	Overseas	
357,667	Quoted	351,309
843,989		847,092
	Pooled funds – additional analysis	
	UK	
200,918	Fixed income unit trust	202,457
24,016	Equity	24,498
224,934		226,955
	Overseas	
174,221	Fixed income unit trust	177,312
783,165	Equity	847,212
957,386		1,024,524
	Other pooled funds	
169,741	Pooled Property Investments	165,615
3,328	Private Equity/Venture Capital	17,243
185	Cash funds	127
173,254		182,985
70	Derivatives	3
58,072	Cash deposits	40,526
2,949	Investment income due	3,280
162	Amounts receivable from sales	269
2,260,816	Total Investment Assets	2,325,634
	Investment Liabilities	
(17)	Derivatives	-
(3,918)	Amounts payable for purchases	(3,548)
(2)	Amounts payable for pending spot FX	(1)
(3,937)	Total Investment Liabilities	(3,549)
2,256,879	Net Investment Assets	2,322,085

14c. Investments analysed by fund manager

Market value 31 March 2017			Market value 31 March 2018	
£000	%		£000	%
982,623	43.5	UBS	1,006,701	43.4
379,701	16.8	Newton	361,610	15.6
271,535	12	Majedie	266,942	11.5
177,280	7.9	CBRE	193,274	8.3
174,221	7.7	Wellington	177,310	7.6
154,357	6.8	Baillie Gifford	187,087	8.1
111,471	4.9	Skagen	111,311	4.8
n/a	0.1	AMP	8,528	0.4
2,463	0.1	Harbourvest	7,526	0.3
n/a	n/a	Adams Street	640	0.0
865	0.1	Catapult	678	0.0
2,363	0.1	Cash	478	0.0
2,256,879	100		2,322,085	100

All the above companies are registered in the United Kingdom.

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

Security	Market value 31 March 2017 £000	% of total Fund	Market value 31 March 2018 £000	% of total Fund
UBS Life World Equity Tracker	470,839	20.9	476,388	21.0
UBS Over 5 Year Index Linked Gilt	200,918	8.9	202,457	8.5
Baillie Gifford Diversified Growth Fund	154,357	6.8	187,087	8.1

14d: 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 £119.1m (31 March 2017: £125.3). 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 2018, the Custodian held collateral at fair value of £129m (31 March 2017: £135.5m). 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.

15 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 agreed 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 significant proportion of the Fund's 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	1,788	EUR	(2,035)	3	-
One to six months	GBP	298	EUR	(339)	-	-
Total					3	-
Net forward currency contracts at 31 March 2018						3
Prior Year Comparative						
Open forward currency contracts at 31 March 2017						53
Net forward currency contracts at 31 March 2017						<u>53</u>

16 Fair Value

Fair Value Hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

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

Level 2

Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

Level 3

Assets and liabilities 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.

The following table provides an analysis of the financial assets and liabilities of the 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	
	Level 1	Level 2	Level 3	Total
Values at 31 March 2018	£'000	£'000	£'000	£'000
Financial assets at fair value through profit and loss	2,104,350	54,721	125,626	2,284,697
Loans & Receivables	43,176	-	-	43,176
Financial liabilities at fair value through profit and loss	(5,788)	-	-	(5,788)
Net investment assets	2,141,738	54,721	125,626	2,322,085

	Quoted market price	Using observable inputs	With significant unobservable inputs	
	Level 1	Level 2	Level 3	Total
Values at 31 March 2017	£'000	£'000	£'000	£'000
Financial assets at fair value through profit and loss	2,050,377	33,119	118,447	2,201,943
Loans & Receivables	66,229	-	-	66,229
Financial liabilities at fair value through profit and loss	(11,293)	-	-	(11,293)
Net investment assets	2,105,313	33,119	118,447	2,256,879

All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date. The fair valuation of each class of investment asset is set out below.

Basis of valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed Interest securities are valued at a market value based on current yields	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Pooled investments – overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price is published	NAV-based pricing set on a forward pricing basis	Not required
Private equity	Level 3	Comparable valuation of similar companies in accordance with International <i>Private Equity and Venture Capital Valuation Guidelines</i> (2012)	EBITA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisers, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2018.

	Assessed valuation range	Value at 31 March 2018 £'000	Value on increase £'000	Value on decrease £'000
UK equities	15.80%	128	148	108
Overseas equities	18.40%	20,626	24,421	16,831
UK property funds	14.20%	85,746	97,922	73,570
Overseas property funds	14.20%	1,883	2,150	1,616
Private equity	28.50%	17,242	22,156	12,328
Total		125,626	146,797	104,453

Reconciliation of Fair Value Measurements within Level 3

	Market value at 31 March 2017 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Unrealised gains/ (losses) £000	Realised gains/ (losses) £000	Market value at 31 March 2018 £000
UK equities	17	-	-	111	-	128
Overseas equities	3,686	11,240	(1,656)	7,401	(45)	20,626
UK property funds	107,629	5,645	(25,570)	2,883	(4,841)	85,746
Overseas property funds	3,787	-	(1,947)	(121)	164	1,883
Private equity	3,328	14,336	(1,118)	258	439	17,243
Total	118,447	31,221	(30,291)	10,532	(4,283)	125,626

17 Financial Instruments

Market value 31 March 2017			Market value 31 March 2018		
Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
£000	£000	£000	£000	£000	£000
Financial assets					
-	-	-	-	-	-
843,989	-	-	847,092	-	-
1,182,505	-	-	1,251,479	-	-
169,741	-	-	165,615	-	-
3,328	-	-	17,370	-	-
53	-	-	3	-	-
-	58,072	-	-	40,526	-
-	-	-	3,549	-	-
-	34,833	-	-	20,019	-
2,199,616	92,905	-	2,285,108	60,545	-
Financial Liabilities					
(2)	-	-	-	-	-
-	-	-	(1)	-	-
-	-	(9,890)	-	-	(24,086)
(2)	-	(9,890)	(1)	-	(24,086)
2,199,614	92,905	(9,890)	2,285,107	60,545	(24,086)
	2,282,629			2,321,566	

17b: Net gains and losses on financial instruments

Market value 31 March 2017 £000		Market value 31 March 2018 £000
	Financial Assets	
363,132	Fair value through profit and loss	26,715
361	Loans and receivables	
	Financial liabilities	
	Fair value through profit and loss	(100)
	Loans and receivables	(209)
14	Financial liabilities measured at amortised cost	-
363,507	Total	26,406

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

18 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.

b) 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.

c) 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 would have reasonably been possible for the 2017/18 reporting period.

The potential price changes disclosed below 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.

Asset Type	Percentage Change %
UK Equities	16.8
Global Equities	17.9
Index-linked	9.2
Bonds	12.7
Diversified Growth	12.6
Alternatives	20.1
Property	14.3
Net derivative assets	0.5
Investment income due	0.5
Cash	0.5
Amounts receivable for sales of investments	0.5
Amounts payable for purchases of investments	0.5

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 2018 £000	Potential Market Movement	Value on Increase £000	Value on Decrease £000
UK Equities	520,281	87,407	607,688	432,874
Global Equities	1,011,434	181,047	1,192,481	830,387
Index-linked	202,457	18,626	221,083	183,831
Bonds	177,312	22,519	199,831	154,793
Diversified Growth	187,085	23,575	210,660	163,510
Alternatives	17,243	3,466	20,709	13,777
Property	165,615	23,683	189,298	141,932
Net derivative assets	3	0	3	3
Investment income due	3,280	16	3,296	3,264
Cash	40,655	203	40,858	40,452
Amounts receivable for sales of investments	269	1	270	268
Amounts payable for purchases of investments	(3,549)	(18)	(3,567)	(3,531)
Total Assets	2,322,085	360,525	2,682,610	1,961,560

Asset Type	Value at 31 March 2017 £000	Potential Market Movement	Value on Increase £000	Value on Decrease £000
UK Equities	355,981	56,245	412,226	299,736
Global Equities	1,140,832	209,913	1,350,745	930,919
Bonds & Index-linked	375,139	33,763	408,902	341,376
Diversified Growth	154,357	19,295	173,652	135,062
Alternatives	3,328	948	4,276	2,380
Property	169,741	24,103	193,844	145,638
Net derivative assets	53	5	58	48
Investment income due	2,949	-	2,949	2,949
Cash	58,257	-	58,257	58,257
Amounts receivable for sales of investments	162	-	162	162
Amounts payable for purchases of investments	(3,920)	-	(3,920)	(3,920)
Total Assets	2,256,879	344,272	2,601,151	1,912,607

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 2018 and 31 March 2017 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 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 basis points 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 basis points change in interest rates:

Asset type	Value as at 31 March 2018	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash and cash equivalents	40,526	405	40,931	40,121
Cash balances	3,696	37	3,733	3,659
Total change in assets available	44,222	442	44,664	43,780

Asset type	Value as at 31 March 2017	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash and cash equivalents	58,072	581	58,653	57,491
Cash balances	6,893	69	6,962	6,824
Total change in assets available	64,965	650	65,615	64,315

Income exposed to interest rate risk	Amount receivable as at 31 March 2018	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash deposits, cash and cash equivalents	143	1	144	142
Fixed interest securities	-	-	-	-
Total	143	1	144	142

Income exposed to interest rate risk	Amount receivable as at 31 March 2017	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash deposits, cash and cash equivalents	192	2	194	190
Fixed interest securities	-	-	-	-
Total	192	2	194	190

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 any currency other than the functional currency of the Fund (GBP). The fund holds both monetary and non-monetary assets denominated in currencies other than GBP.

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

a) Currency risk – sensitivity analysis

Following analysis of historical data with the Fund's investment advisers, the Council considers the likely volatility associated with foreign exchange rate movements to be 10% (as measured by one standard deviation).

A 10% (2016/17 10%) 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 10% (2016/17 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 2018	Potential Market Movement	Value on Increase	Value on Decrease
	£000	£000	£000	£000
Overseas Quoted Securities	1,198,521	119,852	1,318,373	1,078,669
Overseas Fixed Income	177,310	17,731	195,041	159,579
Total overseas assets	1,375,831	137,583	1,513,414	1,238,248

Assets exposed to currency risk	Value as at 31 March 2017	Potential Market Movement	Value on Increase	Value on Decrease
	£000	£000	£000	£000
Overseas Quoted Securities	1,140,832	114,083	1,254,915	1,026,749
Overseas Fixed Income	174,221	17,422	191,643	156,799
Total overseas assets	1,315,053	131,505	1,446,558	1,183,548

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipts that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution.

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectible deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2018 was £44.4m (31 March 2017: £65.2m). This was held with the following institution:-

	Rating	Balances at 31 March 2018 £000	Balances at 31 March 2017 £000
Money market funds			
Northern Trust Global Investors Global Cash Fund	Aaa-mf	40,526	58,072
Bank deposit account			
Barclays Bank Plc	A	3,696	6,893
Bank current accounts			
Northern Trust Custody Account	P-1	129	185
Total		44,351	65,150

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it 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 cash holdings, with the exception of holdings that are for a fixed term when the deposit is placed.

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 in to cash. As at 31 March 2018 the value of illiquid assets was £166.3m, which represented 7.2% of the total Fund assets (31 March 2017: £173.2m, which represented 7.6% 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 investment strategy.

All financial liabilities at 31 March 2018 are due within one year.

d) 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.

19 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 2016. The next valuation will take place as at 31 March 2019.

The key elements of the funding policy are:

- To ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- to ensure that employer contribution rates are as stable as possible;
- To minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so; and
- 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.

The aim is to achieve 100% solvency over a maximum period of 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. Where an employer's funding level is less than 100%, a deficit recovery plan is put in place requiring additional contributions from the employer to meet the shortfall.

At the 2016 actuarial valuation, the Fund was assessed as 78.4% funded (70.5% at the March 2013 valuation). This corresponded to a deficit of £517m (2013 valuation: £646m) at that time.

The Contribution Objective is achieved by setting employer contributions which are likely to be sufficient to meet both the cost of new benefits accruing and to address any funding deficit relative to the funding target over the agreed time horizon. A secondary objective is to maintain where possible relatively stable employer contribution rates.

For each employer in the Fund, to meet the Contribution Objective, a primary contribution rate has been calculated in order to fund the cost of new benefits accruing in the Fund. Additionally, if required, a secondary contribution rate has also been calculated to target a fully funded position within the employer's set time horizon.

The table below summarises the whole fund Primary and Secondary Contribution rates at the 2016 triennial valuation. These rates are the payroll weighted average of the underlying individual employer primary and secondary rates, calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate %	Secondary Rate %		
	2017/2018	2018/2019	2019/2020
1 April 2017 to 31 March 2020			
17.1%	£24,731,000	£22,348,000	£23,214,000

The Primary rate above includes an allowance of 0.7% of pensionable pay for the Fund's expenses. The average employee contribution rate is 6.3% of pensionable pay.

Full details of the contribution rates payable can be found in the 2016 actuarial valuation report and the funding strategy statement on the Fund's website.

At the previous formal valuation at 31 March 2013, a different regulatory regime was in force. Therefore a contribution rate that is directly comparative to the rates above is not provided.

Basis of valuation

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

A summary of the main financial assumptions adopted for the valuation of members' benefits are shown below.

Assumption	Description	31 March 2016		31 March 2013	
		Nominal	Real	Nominal	Real
Price inflation (RPI)	Retail Price Index	3.3%	-	3.3%	-
Price Inflation (CPI)/ Pension increases	Consumer Price Index	2.1%	-	2.5%	-
Pay increases - 2016	RPI minus 0.7% p.a.*	2.4%	(0.7)%	n/a	n/a
Pay increases - 2013	RPI plus 1% p.a.*	n/a	n/a	4.3%	1.0%
Funding basis discount rate	"Gilt-based" discount rate plus an Asset Outperformance Assumption of 1.8% p.a. (2013: 1.6% p.a).	4.0%	n/a	4.6%	n/a

*Plus an allowance for promotional pay increases.

Mortality assumptions

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

Assumed life expectancy at age 65	Active and Deferred Members		Current Pensioners	
	Male	Female	Male	Female
2013 valuation	24.0	26.6	22.3	24.3
2016 valuation	23.9	26.1	22.1	24.2

Note that the figures for active and deferred members assume that they are aged 45 at the valuation date.

Various scaling factors have been applied to the mortality tables to reflect the predicted longevity for each class of member and their dependants.

Other demographic valuation assumptions:

a) Retirements in ill health

Allowance has been made for ill-health retirements before Normal Pension Age.

b) Withdrawals

Allowance has been made for withdrawals from service.

c) Family details

A varying proportion of members are assumed to be married (or have an adult dependant) at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Husbands are assumed to be 3 years older than wives.

d) Commutation

An allowance is included for future retirements to elect to take 50% of the maximum additional tax free cash up to HMRC limits for pre April 2008 service and 75% of the maximum tax free cash for post April 2008 service.

e) 50:50 option

5.0% of members (uniformly distributed across the age, service and salary range) are assumed to choose the 50:50 option.

20 Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an 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.

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

31 March 2017 £m		31 March 2018 £m
(3,394)	Present value of promised retirement benefits	(3,454)
2,281	Fair value of scheme assets (bid value)	2,322
(1,113)	Net liability	(1,132)

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2016 triennial funding valuation (see Note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Assumptions used

Pension Increase Rate	2.4%
Salary Increase Rate	2.7%
Discount Rate	2.7%

21 Current Assets

31 March 2017 £000		31 March 2018 £000
5,455	Contributions due – employers	3,779
1,317	Contributions due – employees	1,805
6,009	Other debtors	1,749
12,048	Funds due from the County Council	3,936
6,893	Cash balances	8,750
31,722	Total	20,019

Analysis of debtors

31 March 2017 £000		31 March 2018 £000
-	Central government bodies	3,753
15,214	Other local authorities	524
-		2
-	Public corporations and trading funds	1,880
9,615	Other entities and individuals	5,110
24,829	Total	11,269

Analysis of debtors does not include cash balances.

22 Current Liabilities

31 March 2017 £000		31 March 2018 £000
2,889	Benefits payable	328
1,892	Other creditors	17,236
1,191	Funds due to the County Council	2,974
5,972	Total	20,538

Included within 17/18 other creditors is planned transfer out relating to Tresham College to the sum of £16m.

Analysis of creditors

31 March 2017 £000		31 March 2018 £000
-	Central government bodies	2,095
1,191	Other local authorities	18,011
-	NHS bodies	-
1	Public corporations and trading funds	392
4,780	Other entities and individuals	40
5,972	Total	20,538

23 Additional Voluntary Contributions

Market value at 31 March 2017 £000		Market value at 31 March 2018 £000
4,255	Prudential	4,700
670	Standard Life	727
4,925	Total	5,427

Total contributions of £916k were paid directly to Prudential during the year (2016-17: £892k).

Total contributions of £17.7k were paid directly to Standard Life during the year (2016-17: £15k).

24 Agency Services

31 March 2017 £000		31 March 2018 £000
2,071	Unfunded	2,551

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. A review of Agency Services during the year has resulted in an increase in Agency Costs recognised in 2017/18.

25 Related Party Transactions

Northamptonshire County Council

The Northamptonshire Pension Fund is administered by Northamptonshire County Council.

The Council incurred costs of £1.9m (2016-17: £2.0m) 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 £20.7m to the Fund in 2017-18 (2016-17: £28.1m). At 31 March 2018 £962k was owed to the Fund by the Council (2016-17: £10.8m).

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 Michael Clarke
Cllr Julie Brookfield
Cllr Stephen Legg
Cllr Adil Sadygov
Cllr Michael Tye
Cllr Chris Lofts
Cllr Russell Roberts
Cllr Bob Scott

District/Borough Councils' Representatives

Cllr Richard Lewis (East Northamptonshire Council)
Cllr Peter Rawlinson (South Northamptonshire Council)

Universities and Colleges Representative

Roger Morris
Damian Pickard

Other Employers' Representatives

Alicia Bruce
Roger Morris
Robert Austin (Substitute Member)

Employees' Representatives

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

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.

Key management personnel

Paragraph 3.9.4.3 of the Code exempts Local Authorities from the key management personnel disclosure requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 24. This applies in equal measure to the accounts of the Northamptonshire County Council Pension Fund.

The disclosures required by the above legislation can be found in the main accounts of Northamptonshire County Council.

26 Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) at 31st March 2018 totalled £131.4m (31st March 2017: £81.5m).

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 three and fifteen years from the date of each original commitment.

27 Contingent Assets

Four admitted body employers in the Northamptonshire 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 & Governance Compliance Statement

<http://pensions.northamptonshire.gov.uk/app/uploads/2018/01/Governance-Policy-and-Compliance-Statement-2017.pdf>

Appendix B – Funding Strategy Statement

<http://pensions.northamptonshire.gov.uk/app/uploads/2018/01/Funding-Strategy-Statement.pdf>

Appendix C – Investment Strategy Statement

http://pensions.northamptonshire.gov.uk/app/uploads/2018/04/NPF_Investment_Strategy_Statement_FINAL_Approved_23_March_2018-1.pdf

Appendix D – Administration strategy

<http://pensions.northamptonshire.gov.uk/app/uploads/2018/01/Administration-Strategy-2017.pdf>

Appendix E - Communication strategy –

<http://pensions.northamptonshire.gov.uk/app/uploads/2017/04/2017-Communications-Strategy.pdf>