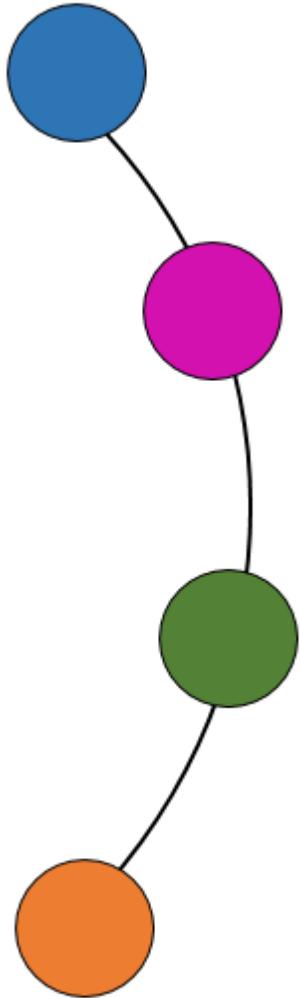




Northamptonshire County Council Pension Fund Annual Report and Statement of Accounts Year Ended 31st March 2021

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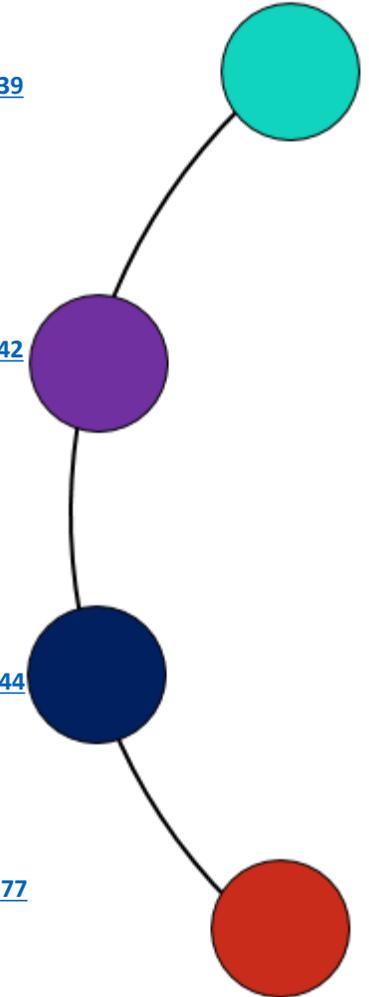
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Chairperson's Foreword

It gives me great pleasure to introduce the Northamptonshire Pension Fund Annual Report and Statement of Accounts for 2020-21. It has been a year like no other, but that has not stopped the Pension Fund in continuing to deliver its high service.

I would like to thank our previous Chairs, for their hard work and dedication to the Fund over the last year, as well as all the current and previous members of the Pension Committee.

I'd also like to take this opportunity to thank the staff of the Northamptonshire Pension Fund and the Employers within the Fund for their work over the last year which has seen all of them adapt to the new situation of working from home, and despite this they continue to deliver their high service standards to our customers.

The local authorities in Northamptonshire have seen change in the form of converting into two unitary authorities, West Northamptonshire Council and North Northamptonshire Council. The key stakeholders are our scheme members, and the local government reorganisation led to a mass communication exercise for the Northamptonshire Pension Fund to make sure that members understood the important decisions they needed to make about their pension as a result of being transferred to one of the new authorities.

Our members increased to over 73,000 active, pensioner and deferred members of the scheme from the previous year's figure of over 69,000. They rely on us to look after their valuable pension rights and we have taken steps to ensure that our scheme members continue to receive the same experience as they have in previous years.

Initiatives designed to increase member engagement saw an increase in the number of members registering for their online pension account of 22% from December 2020 (16,151) to June 2021 (19,767), enhancing both

the members' ability to manage their pension and our ability to communicate with members quicker and more securely through their online account.

The transition from annual to monthly data provision by scheme employers has been a key focus and 97.88% of employers now provide us with a monthly return, improving the timeliness of data provision, allowing members to see more up to date information about their pension through their online account, and improving our ability to administer the Fund in an efficient manner.

Following the impact of the Covid-19 pandemic on the 2019-20 financial accounts we have seen a resurgence in valuation of the Fund from £2.40bn as at the 31st March 2020 to £3.10bn on 31st March 2021. This figure not only sees growth of 29.2% on the previous year, but also sees growth on our pre-pandemic valuation of 2.51bn on 31st March 2019 of 23.5%.

The Fund continues its commitment to the ACCESS asset pool with 73% of its assets pooled, and this figure will continue to rise in the coming years. This has been a successful year for the Fund and I would also like to thank the hard work of the 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 Malcolm Longley

Chairman of the Northamptonshire Pensions Committee.

Dated: xxxxxxxx 2021

Statement of Responsibilities

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 County Council Pension Fund ("Fund") during the year.

The Statement of Accounts has been prepared in accordance with the CIPFA/LASAAC Code of Practice for Local Authority Accounting in the United Kingdom 2020-21.

The accounts summarise the transactions of the Fund and deal with the net assets at the disposal of the Pension 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 Fund's website, [Northamptonshire Pension Fund Valuation Report](#)

The Council's Responsibilities in respect of the Pension Fund

The Northamptonshire County 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 Chief Finance Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts which form part of the Council's Statement of Accounts.

The Chief Finance Officer's Responsibilities

The Chief Finance Officer 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 Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgments and estimates that were reasonable and prudent; and
- Complied with the Code.

The Chief Finance 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 2021 and of its income and expenditure for the year 2020-21, and authorise the accounts for issue.

Mr M Henry

Chief Finance Officer

(Section 151 Officer)

Dated: xx xxxxxx 2021

Scheme Management, Advisors and Partners

Partners

 ACCESS Effective • Collective • Investment	 BARCLAYS	 EY	 HYMANS ROBERTSON	 AON Empower Results®
ACCESS (Pension Pool)	Barclays (Bank)	Ernst & Young (Auditors)	Hymans Robertson (Actuary)	AON (Consultants)
 LGSS Law Ltd.	 Mercer	 NORTHERN TRUST	 SQUIRE PATTON BOGGS	David Crum (Independent Advisor)
LGSS Law (Legal Advisors)	Mercer (Investment Consultants)	Northern Trust (Custodian)	Squire Patton Boggs (Legal Advisors)	

Asset Managers

 Adams Street	 Allianz	 AMP CAPITAL	 BAILLIE GIFFORD	 CATAPULT Ventures
Adams Street Partners	Allianz Global Investors	AMP Capital	Baillie Gifford & Co*	Catapult
 CBRE	 HARBOURVEST	 ifm investors	 J.P.Morgan	 LINK Group
CBRE Global	HarbourVest Partners (UK)	IFM Investors	JP Morgan	Link Fund Solutions (ACCESS)
 LONGVIEW PARTNERS	 M &G	 MAJEDIE Asset Management	 NEWTON Investment Management	 UBS
Longview Partners*	M&G Investments	Majedie Asset Management*	Newton*	UBS Asset Management
 BlueBay Asset Management	*Subfunds managed by Link Fund Solutions in the ACCESS Pool (page 28)			
BlueBay Asset Management				

AVC Providers

 PRUDENTIAL	 Standard Life
Prudential	Standard Life

Scheme Management & Key Officers

The Key Officers of the Fund during the year were:

Mark Whitby – Head of Pensions

Ben Barlow – Fund Accounting Manager

Paul Tysoe – Investment Accounting Manager

Richard Sultana – Operations Manager

Cory Blose – Employer and Systems Team Manager

Joanne Walton – Governance and Regulations Manager

Fiona Coates – Pension Services Financial Manager

Richard Perry – Pension Services Financial Manager

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

Ben Barlow

Fund Accounting Manager, Pensions Service

Email: Ben.Barlow@westnorthants.gov.uk

Telephone: 07917 197467



Enquiries relating to management and administration should be directed to:

Mark Whitby

Head of Pensions, Pensions Service

Email: Mark.Whitby@westnorthants.gov.uk

Telephone: 07990 556197



Registered Pension Scheme Number: 10079143

Scheme Administration

Introduction

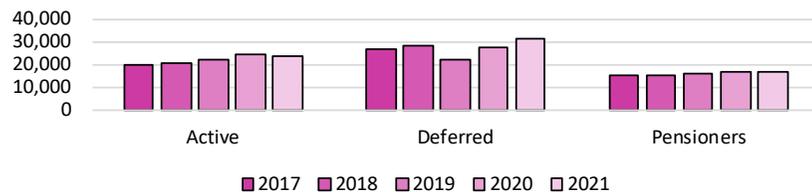
Northamptonshire County Council is responsible for administering the Northamptonshire Pension Fund, which is available to employees of the County Council, organisations with a statutory right to be in the scheme (scheduled bodies) and organisations, such as charities, which the County Council has admitted under its discretionary powers (admitted bodies). As well as organisations that can admit their employees to the LGPS by passing their resolution (nominate employees for access to the LGPS).

The Fund is a qualifying scheme under the automatic enrolment regulations and can be used by employers to automatically enroll eligible employees, and every three years re-enrol anyone who opts out of the scheme.

Membership

Membership of the Fund increased by 1.8% from the previous year.

On 31 March 2021 there were 23,868 active, 32,164 deferred and 17,046 pensioner members in the Fund. The deferred figure is inclusive of 8,203 open cases that may change status (undecided leavers).



Pension Fund Administration

A shared service partnership between Cambridgeshire County Council and Northamptonshire County Council provides pension administration services to the Northamptonshire Pension Fund.

There are 77 staff members (74.42 full time equivalent) within the Pensions Team, providing all aspects of service to both the Cambridgeshire and Northamptonshire Funds, with an average staff to member ratio of 1:2,183 (total members for Northamptonshire and Cambridgeshire Pension Funds divided by full time equivalent staff members).

Internal audit perform risk based audit procedures to assess the effectiveness and efficiency of administration services, and the Pensions Team have been awarded the national standard for excellence in customer service (CSE) since 2016.

The requirements of the General Data Protection Regulations (GDPR) are recognised and feature in the design of the Fund's administration processes. The Fund has in place a GDPR compliant privacy notice, conducts privacy impact assessments for all new activities involving personal data and has in place a Register of Processing Activities and Information Asset Register.

Unitary Authority

As of the 1st April 2021 Northamptonshire County Council will cease to exist and will be replaced by the West Northamptonshire and North Northamptonshire unitary authorities. West Northamptonshire Council will become the administering authority for the Northamptonshire Pension Fund.

Scheme Administration Tools

The Pensions website contains detailed information for all the Fund's stakeholders and has dedicated pages for both members and employers. There is a comprehensive suite of forms and factsheets for members, prospective members and employers.

Support for members and employers can be accessed via the website or by contacting the Helpline on 01604 366537.

[Member Self Service](#) is an online platform which allows members to securely access their records, amend their personal information, perform benefit projections and view their annual benefits statement.

[Employer Self Service](#) is available to all employers in the scheme and gives access to the pension database remotely and securely, allowing them to view, create and amend their employees' data, run reports and perform benefit calculations.

i-Connect is a system used which allows employers to securely upload monthly payroll data into the pension database, improving efficiency and accuracy of data and ensuring timely record maintenance.

Scheme Administration (continued)

Scheme Framework

The Local Government Pension Scheme is a statutory funded pension scheme. The operation of the Northamptonshire County Council Pension Fund 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, Unitary, District and Borough Councils and Academies within the county area other than teaching staff, police officers and fire-fighters for whom separate statutory arrangements exist. A number of other bodies are also members of the scheme.

Employers' contribution rates are set by the Fund's Actuary every three years following the valuation of the Fund, in order to maintain the solvency of the Fund. The last valuation took place as at 31 March 2019. The results of the valuation were a funding level of 93% (31 March 2016: 28%) and an average primary employer contribution rate of 19% (31 March 2016: 17.1%). The primary rate includes an allowance of 0.8% (31 March 2016: 0.7%) of the pensionable pay for the Fund's expenses. The average employee contribution rate is 6.3% (31 March 2016: 6.3%) of pensionable pay.

On 1 April 2014, the new Local Government Pension Scheme 2014 came into effect, allowing more flexibility around paying into the scheme and drawing benefits in comparison to the 2008 scheme. Normal pension age is linked to the state pension age but benefits can be drawn earlier or later, between age 55 and 75. The normal retirement age is the age a member can access their pension in full; if it is accessed before that date benefits will usually be reduced and if accessed after normal retirement age benefits may increase. All service built up to 31 March 2014 in the LGPS is fully protected and will continue to be based on a member's final year annual pay when the individual leaves the LGPS (2008 scheme).

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

In December 2018 the Court of Appeal ruled against the Government in the two linked cases of Sargeant and McCloud (which for the purposes of the LGPS has generally been shortened to "McCloud"), relating to the Firefighter unfunded pension schemes and the Judicial pension arrangements.

In essence, the Court held that the transitional protections, which were afforded to older members when the reformed schemes were introduced in 2015, constituted unlawful age discrimination. It was announced on the 27th June 2019 that the Government has been denied the right to appeal.

It was subsequently announced that any remedy resulting from the McCloud case would also apply to the LGPS in the form of a small increase in benefits for some members. A MHCLG consultation on the required amendments to the LGPS regulations was issued on 16th July 2020 for a period of 12 weeks. It is anticipated that amendments to members benefits will not commence until the earliest of 1 April 2021.

Scheme Administration (continued)

The below table compares the 2008 and the 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

Scheme Administration (continued)

Pension Committee and Local Pension Board Membership

The following table shows the attendance of Committee and Board members at applicable Pension Committee, Investment Sub-Committee and Local Pension Board meetings during 2020-21, training undertaken in year, including; including; Training days, Conferences and Strategic Workshops.

Councillor/Member Name	Committee/Board	Meetings Attended	Training Undertaken (Virtual)
Councillor Jonathon Ekins - Chairman	Pensions Committee	4 meetings of 5	3 Sessions
	Investment Sub-Committee	4 meetings of 4	
Councillor Bill Parker – Vice Chairman	Pensions Committee	5 meetings of 5	4 Sessions
	Investment Sub-Committee	4 meetings of 4	
Councillor Bob Scott	Pensions Committee	5 meetings of 5	5 Sessions
	Investment Sub-Committee	4 meetings of 4	
Councillor Malcolm Waters	Pensions Committee	5 meetings of 5	5 Sessions
	Investment Sub-Committee	3 meetings of 4	
Peter Borley-Cox	Pensions Committee	5 meetings of 5	5 Sessions
	Investment Sub-Committee	3 meetings of 4	
Damian Pickard (retired Jan 21)	Pensions Committee	2 meetings of 4	4 Sessions
	Investment Sub-Committee	1 meeting of 3	
Robert Austin	Pensions Committee	3 meetings of 5	4 Sessions
	Investment Sub-Committee	2 meetings of 4	
Councillor Stephen Legg	Pensions Committee	5 meetings of 5	1 Sessions
Councillor Anjona Roy (May 2019)	Pensions Committee	5 meetings of 5	1 Sessions
Councillor Richard Lewis	Pensions Committee	5 meetings of 5	3 Sessions
Councillor Richard Micklewright	Pensions Committee	4 meetings of 5	1 Sessions
Janet Blunden	Pensions Committee	3 meetings of 5	0 Sessions
Councillor Annabel De Capell Brooke	Pensions Committee	0 meetings of 5	0 Sessions
Andy Langford (Substitute)	Pensions Committee	4 meetings of 5	3 Sessions
	Investment Sub-Committee	0 meetings of 4	
Paul Evans – Chairman	Local Pension Board	2 meetings of 3*	1 Sessions
Councillor Allan Matthews – Vice Chairman	Local Pension Board	3 meetings of 3*	3 Sessions
Martin Hammond	Local Pension Board	3 meetings of 3*	2 Sessions
Kevin Standishday	Local Pension Board	3 meetings of 3*	2 Sessions
Julie Petrie	Local Pension Board	2 meetings of 3*	4 Sessions
Councillor Athur McCutcheon	Local Pension Board	1 meeting of 3*	1 Sessions

Scheme Administration (continued)

Policies and Strategy Statements

Information about the Fund's policies and procedures can be found on the Fund's website:

[Northamptonshire Pension Fund Key Documents](#)

The following policies were in place during the financial year

[Administering Authority Discretions](#)

[Administration Strategy](#)

[Admitted Bodies Scheme Employers and Bulk Transfers Policy](#)

[Annual Business Plan & Medium Term Strategy 2020-21](#)

[Anti-Fraud and Corruption Policy](#)

[Cash Management Strategy](#)

[Communications Plan](#)

[Communications Strategy](#)

[Conflict of Interest Policy for Northamptonshire Pension Fund Board](#)

[Data Improvement Policy](#)

[Funding Strategy](#)

[Governance Policy and Compliance Statement](#)

[Investment Strategy Statement](#)

[Northamptonshire Pension Fund Training Strategy](#)

[Overpayment of Pension Policy](#)

[Payment of Pension Contributions Policy](#)

[Pension Fund Objectives](#)

[Reporting Breaches of the Law to the Pensions Regulator Policy](#)

[Risk Register](#)

[Risk Strategy](#)

Statement/Policy Changes in 2020-21

The following strategies and policies have been reviewed and updated accordingly in 2020-21:

- Business Plan and Medium Term Strategy 2020-21
- Communications Strategy
- Administration Strategy
- Data Improvement Policy
- Investment Strategy Statement

Management and Financial Performance

The Team

The Pensions Service is based in Northampton and consists of the following teams:

- **Operations** – maintain member records, calculate benefits and pensions payable.
Email: Pensions@westnorthants.gov.uk
- **Employers** – contact point for employers of the scheme and those wanting to join. Deliver training sessions to employers and payroll providers covering the systems available to assist them in efficiently participating in the Fund.
Email: PenEmployers@westnorthants.gov.uk
- **Systems** – ensure internal systems are operating efficiently and provide support to maintaining accurate member records.
Email: PenSystems@westnorthants.gov.uk
- **Investments** – oversee the governance of Fund assets and support the Investment Sub-Committee.
Email: PenInvestments@westnorthants.gov.uk
- **Governance** – support all Committees in governing the Fund effectively, develop and monitor policies and practices to improve data quality and ensure regulatory compliance.
Email: Pensions@westnorthants.gov.uk
- **Accounting** – record and reconcile contributions paid into the Fund and accounts for fund expenses. Provide financial monitoring and reporting of functions such as debt management and cash requirements and investment accounting.
Email: PenContributions@westnorthants.gov.uk

Complaints

Should you have a complaint about the service, we will do our best to put things right. To access support, please email Pensions@westnorthants.gov.uk, telephone 01604 366537, or write to:
Pensions Service– Governance Team
One Angel Square,
Angel Street
Northampton
NN1 1ED

Appeals

The LGPS regulations provide Internal Dispute Resolution Procedures (IDRP), details of which can be accessed via the [website](#).

Stage 1 disputes are heard by the Employer if the complaint concerns an Employer decision or Head of Pensions if an administering authority decision. At Stage 2, the complaint is considered by Northamptonshire County Council’s Monitoring Officer, and if the complainant is still unhappy with the decision they may refer the case to The Pensions Ombudsman. At any stage a scheme member has the right to direct their complaint to The Pensions Ombudsman. More information can be found on the [Pensions Ombudsman](#) website.

The following formal disputes have arisen and/or been resolved during the year:

Nature of dispute	Stage 1	Stage 2
Inability to transfer out on employment ending at age 55+ with immediate entitlement to payment of benefits	Not upheld (June 2020)	Not upheld (March 2021)
Failure to provide correct annual benefit statement	Not upheld (November 2020)	N/A
Lump sum paid less than quoted	Partially upheld (November 2020)	N/A
Seeking reinstatement/ compensation for two deferred pensions being transferred to a Qualifying Recognised Overseas Pension Scheme in 2014	Not upheld (March 2021)	In progress
Inability to have pension trivially commuted	Not upheld (April 2020)	N/A

Management and Financial Performance (continued)

Managing Decision Making

Northamptonshire County Council has established a Pension Committee (PC) and Investment Sub-Committee (ISC) having 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 ISC sit on the PC.

The PC's business covers all Fund matters with the exception of non-strategic investment issues, which are delegated to the ISC. Officers across the operations, investment, transactions, corporate and governance functions support the PC and ISC as required. All meetings of the PC and ISC are duly minuted.

PC members and ISC members are required to attain a desired level of skills and knowledge, to ensure decisions being made on behalf of Northamptonshire County Council Pension Fund are made with full understanding of the impact and therefore mitigating the risk of unfounded decisions.

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

The Northamptonshire Full Council acknowledged the establishment of the ACCESS Joint Committee (AJC) delegating powers to this body in response to the Government's pooling agenda. The Chairman of the PC represent the Fund on the AJC, supported by Fund officers working in the ACCESS Officers Working Group (OWG).

The Local Pension Board (LPB) was established on 1 April 2015, providing an additional layer of governance for the Fund. The LPB is non-decision making 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 LPB has provided a separate annual report of its activities to Council for this financial year.

Management and Financial Performance (continued)

Risk Management

The Northamptonshire Pension Fund has both a risk strategy and a risk register in place to identify, evaluate, mitigate and monitor risks associated with the activities that the Fund carries out. Risk is managed through regular reporting to both the Pensions Committee and Local Pension Boards which have appropriate authorisation from the Northamptonshire County Council's Monitoring Officer and Section 151 Officer. This ensures that risks are integrated within the governance structure of Northamptonshire County Council and all follow a consistent approach.

Identified risks are recorded in the Risk Register, a copy of which can be found at: [Risk Register](#)

The aim of the Risk Register is to ensure that an informed decision can be made on whether a risk can, or should be accepted. Risk appetite is informed by an understanding of any existing controls and will also be influenced by the expected reward or outcome. Once risks have been identified the Fund assesses the impact and likelihood of a risk to enable effective decision making.

Risks recorded in the Risk Register are linked and managed in line with the Pension Fund objectives to ensure relevance and are reviewed by the Pension Committee twice a year and the Local Pension Board quarterly. New risks are therefore identified promptly and current risks are monitored on a regular basis, with risk ratings revised where necessary. The accompanying Risk Strategy is reviewed on an annual basis to ensure it remains relevant to support the Risk Register.

Third party risks are managed through the Risk Register and associated policies, such as the Payment of Pension Contributions Policy. Mitigations are put in place to minimise third party risks and, in particular, the risks associated with Scheme Employers and effective covenant monitoring.

Investment Risk

The Fund's Investment Strategy Statement, which is reviewed annually, sets out the Fund's investment strategy which incorporates evaluation of key investment risks.

In addition the Statement of Accounts section of this document, provides further information about Investment risks and how they apply to the Investment Assets held by the Fund.

There are many risks inherent in investments. The Fund addresses these in the following ways:

Market Risk – investments will reduce in value due to fluctuations in prices, interest rates, exchange rates and credit spreads.

The Fund invests in different markets across the world and in different types of investment to reduce the risk of the portfolio reducing in value due to adverse market conditions and to smooth returns.

Price Risk – investments may be incorrectly valued due to price fluctuations or estimates used in pricing.

Investments are valued at published prices, where available. Investments that are not sold on a market are valued by specialist Investment Managers. Notes 16, 17 and 18 in the Statement of Accounts gives information about how investments are valued and gives an indication of the value of investments subject to an element of estimation.

At year end all Investment Managers, including Link Fund Solutions who are the operator of the ACCESS pool (page 28), are required to provide ISAE 3402 (Service Organization Control Reports) which are made available to external audit.

Risk Assurance

The objective of an internal audit is to educate management and employees about how they can improve business operations and efficiencies while giving reliability and credibility to the financial reports that go to Pension Committee and the Local Pension Board. Internal audit awarded the Fund substantial assurance following its testing within the year.

Management and Financial Performance (continued)

Financial Performance

The financial performance of the Fund is monitored against budgeted performance on a regular basis throughout the year by the Pension Fund Committee.

Performance Indicators	2020-21 Forecast £000	2020-21 Actual £000
Contributions	-109,000	-116,311
Transfers in from other funds	-6,100	-7,759
Total Income	-115,100	-124,070
Benefits payable	95,000	96,190
Payments to and for leavers	7,200	8,958
Total Benefits	102,200	105,148
Surplus of contributions over benefits	-12,900	-18,922
Management Expenses		
Administrative Costs	2,318	2,372
Investment Management Expenses	1,025	10,928
Oversight and Governance Costs	803	708
Total Management Expenses	4,146	14,008
Total Income less Expenses	-8,754	-4,914
Investment Income	-42,000	-23,433
Taxes on Income	0	14
(Profit)/loss on disposal and changes in market value of investments	-54,000	-670,914
Net return on investments	-96,000	-694,333
Net (increase)/decrease in assets during the year	-104,754	-699,247

Management expenses per active member are shown below:

	2019-20	2020-21
Active Members	25,049	23,868
Administrative Cost	£78.89	£99.38
Investment Management Expenses	£359.85	£457.85
Oversight and Governance Costs	£39.72	£29.66

Variance Analysis

- Investment Management expenses forecast is understated as this does not include pooled fees deducted from market value.
- The 2020-21 forecast for profit/loss on disposal and changes in market value of investments assumed the actuaries target would be achieved. The actual market experience is explained in the independent investment advisors report on page 34.

Details of non-investment assets and liabilities of the Fund can be found in the Statement of Accounts in Notes 21 to 22.

Management and Financial Performance (continued)

Performance Indicators

The Fund has developed a number of Key Performance Indicators (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.

The below table shows the number and trend of the top 7 types of scheme administration cases demonstrating both workload and efficiency in meeting internal KPI and external legal requirements.

	Cases completed in the year	Cases completed within KPI target	% of Cases completed within KPI target
Deaths – initial letter acknowledging death of member <i>KPI: 5 working days, Legal requirement: 2 months</i>	714	714	100%
Deaths – letter notifying amount of dependant’s pension <i>KPI: 5 working days, Legal requirement: 2 months</i>	368	360	98%
Estimates – letter notifying estimate of retirement benefits to employee <i>KPI: 15 working days, Legal requirement: 2 months</i>	529	495	94%
Retirements – process and pay pension benefits on time <i>KPI: 5 working days, Legal requirement: 2 months</i>	334	320	96%
Deferment – calculate and notify deferred benefits <i>KPI: 15 working days, Legal requirement: N/A</i>	1823	1711	94%
Transfers in – Letter detailing transfer in (actual) <i>KPI: 10 working days, Legal requirement: 2 months</i>	306	290	95%
Transfers out – letter detailing transfer out (quote) <i>KPI: 10 working days, Legal requirement: 3 months</i>	393	366	93%

Management and Financial Performance (continued)

Contributions

The Fund works closely with employers to collect contributions on time.

The following table shows the amount of regular employee and employer contributions paid during the year 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.

Contributions	Total Paid in 2020-21 £000	Total Paid On Time £000	% Paid On Time	Total Paid Late £000	% Paid Late
Employer	92,880	92,120	99.18%	760	0.82%
Employee	23,431	23,173	98.90%	258	1.10%
Total	116,311	115,293	99.12%	1,018	0.88%

The Fund did not apply any additional charges or levies in respect of contributions received late, and no reports were made to The Pensions Regulator in respect of late contributions during the year.

Recovery of Overpayments of Pension

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 ¹	£70,637,037
Total write off amount	£40,701
Write offs amount as % of payroll	0.06%

¹Excludes additional pension awarded by the employer.

The following tables show the analysis of pension overpayments that occurred during the last five years:

Year	Overpayment	Recovered/in progress	Written Off
2016-17	£55,519	£21,033	£14,542
2017-18	£74,764	£55,518	£17,518
2018-19 ²	£516,269	£379,396	£136,873
2019-20	£136,830	£47,180	£89,650
2020-21	£45,998	£5,297	£40,701

²Overpayments in 2018-19 appear particularly high, as in addition to usual activity, the Fund undertook a significant reconciliation project during the year in which a number of overpayments were identified.

Overpayments identified from 2018-19 with a value of under £250 are automatically written off, in line with the Fund's Overpayments Policy.

Management and Financial Performance (continued)

Contributors to the Fund

Active Employers as at 31 March 2021

Type Of Body	Number of Active Employers
Administering (AA)	1
Scheduled (S)*	301
Admitted (Ad)	56
Total	358

LEA schools are included within Scheduled Bodies, and in table below are shown in Body column as S

The table, left, shows the number of employers in the Fund as at 31 March 2021. The breakdown of contributions by employer shown in the table below will show a different number of employers when compared to the statement of accounts, as employers joined and left the fund throughout the year. An active or ceased column has been added to show this movement. Where contributions exist for ceased employers, these represent prior year adjustments that have been made within 2020-21, or contribution receipts recorded within the period.

Employer	Employee Contributions	Employer Contributions	Grand Total	Ceased	Body
	£	£	£		
Abbey CofE Acad (Daventry)	7,422	24,881	32,304		S
Abbeyfield School (Academy)	47,081	157,169	204,250		S
Abington Vale Primary (Academy)	27,381	102,414	129,795		S
ABM Catering (Duston Eldean Primary School)	639	2,975	3,614		Ad
ABM Catering (Lyncrest Primary)	474	2,208	2,682		Ad
ABM Catering (St Mary's CE Primary)	992	5,200	6,192		Ad
ABM Catering Limited (Innovate MAT)	1,023	3,403	4,426		S
ABM Catering Limited - 2016 PDET	2,377	10,632	13,009		Ad
ABM Catering Limited (2018 PDET)	1,098	4,411	5,509		Ad
ABM Catering Limited (Magdalen)	18	73	91	Y	Ad
ABM Catering Limited (Montsaye Academy)	2,741	9,044	11,785		Ad
ABM Catering Limited 2015 PDET	65	292	357	Y	Ad
Alfred Street Junior School	7,807	35,352	43,160		S*

Employer	Employee Contributions	Employer Contributions	Grand Total	Ceased	Body
	£	£	£		
All Saints CofE VA Primary School	16,886	76,444	93,330		S*
Alliance in Partnership Limited (Magalen College School)	532	2,187	2,720		S
Amey Ltd	12,964	46,451	59,415		Ad
Ashby Fields Primary School	23,234	89,375	112,609		S
Aspens - DSLV Academy (Dantre & Southbrook)	1,355	8,208	9,563		S
Aspens (Wootton Park)	103	321	424	Y	Ad
Aspens Services Ltd (Southfield School for Girls Kettering)	611	2,355	2,967		Ad
Badby Primary Academy	12,254	72,963	85,216		S
Balfour Beatty-St Lighting	6,273	14,305	20,578		Ad
Barby & Olney Parish Council	700	3,355	4,055		S
Barby Academy	5,043	19,619	24,661		S
Barry Road Primary	31,656	138,609	170,264		S*
Beanfield Primary (Academy)	52,368	203,717	256,085		S

Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased Body
Billing Brook Academy	90,274	287,369	377,643	S
Bishop Stopford Academy	56,613	198,519	255,132	S
Blackthorn Primary (Academy)	19,649	71,010	90,659	S
Blakesley CE Primary	5,589	22,964	28,553	S
Boddington C of E Primary Academy	2,724	10,697	13,421	S
Boothville Primary School (NCC)	37,501	178,756	216,257	S*
Boughton Primary Academy	10,184	33,213	43,397	S
Bozeat Community Primary Academy	8,267	34,895	43,162	S
Bracken Leas Academy	6,321	27,201	33,522	Y S
Brackley Town Council	18,400	70,016	88,416	S
Brambleside Primary School	15,229	57,183	72,412	S
Braunston Academy	9,371	34,885	44,256	S
Briar Hill Primary Academy	16,078	58,326	74,404	S
Bridgewater Primary School	43,169	196,870	240,039	S*
Brightn Ltd	391	1,465	1,856	Ad
Brington Primary school	6,222	27,297	33,519	S*
Brixworth CEVC Primary Sch. (NCC)	26,289	118,121	144,410	S*
Brixworth Parish Council	1,652	6,456	8,108	S
Brooke Weston Academy	125,094	308,549	433,643	S
Broughton Primary School (NCC)	13,238	59,837	73,075	S*
Bugbrooke Comm Primary Sch. (NCC)	18,553	85,137	103,690	S*
Byfield Academy	7,309	23,702	31,012	S
Campion Academy	69,117	235,202	304,319	S
Caroline Chisholm (Academy)	84,972	269,146	354,118	S
Castle Primary Academy	31,859	105,858	137,717	S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased Body
Caterlink Ltd (The Grange Academy)	508	2,067	2,575	S
Cedar Road Primary (Academy)	12,889	47,410	60,299	S
Chacombe CEVA Primary Academy	7,153	26,665	33,818	S
Change-Grow-Live	2,258	8,895	11,153	Ad
Chenderit School (Academy)	36,535	122,963	159,498	S
Chipping Warden Primary Academy	5,402	22,705	28,107	S
Churchill Contract Services (Campion)	95	525	620	Y S
Cleantec (Grange Primary Academy)	232	944	1,176	Ad
Clipston Primary School (NCC)	8,302	25,239	33,541	S*
Collingtree C of E Primary School	4,474	17,408	21,882	S
Compass (The Abbey Primary School & Standens Barn Primary School)	1,369	6,023	7,393	Ad
Complementary Education (Academy)	52,059	184,619	236,679	S
Consortium Audit (Warks)	2,058	5,067	7,125	Ad
Corby Borough Council	672,984	3,278,454	3,951,438	S
Corby Business Academy	66,386	185,400	251,786	S
Corby Old Village Sch (NCC)	12,683	58,189	70,873	S*
Corby Primary Academy	25,156	78,769	103,926	S
Corby Technical School	35,337	109,798	145,135	S
Cottingham CoE Primary Academy	5,912	21,959	27,871	S
Cranford CoE Academy	4,798	16,761	21,558	S
Croughton All Saints CE Primary (NCC)	6,597	29,391	35,987	S*
Croyland Nursery (NCC)	26,362	111,155	137,517	S*
Croyland Pri (Well'boro) (NCC)	39,940	183,571	223,511	S*

Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased Body
CSN Resourcing Ltd	81,867	235,142	317,009	S
Culworth C of E Primary Academy	5,554	23,484	29,038	S
Danesholme Infants Academy	16,985	67,904	84,889	S
Danesholme Junior Academy	14,288	64,956	79,244	S
Danetre & Southbrook Learning Village	38,382	125,537	163,919	S
Daventry District Council	451,640	2,288,569	2,740,210	S
Daventry Hill School	54,433	166,846	221,279	S
Daventry Norse Limited	23,625	106,207	129,832	Ad
Deanshanger Parish Council	1,284	5,624	6,908	S
Deanshanger Primary	22,103	100,587	122,691	S*
Delapre Primary School	33,796	153,058	186,854	S*
Denfield Park Primary (NCC)	28,609	129,339	157,949	S*
Denton Primary School	10,748	48,595	59,343	S*
Desborough Town Council	2,191	8,562	10,754	S
Duston Eldean Primary	22,610	104,095	126,705	S*
Duston Parish Council	10,899	43,179	54,078	S
Earls Barton Parish Council	1,365	6,033	7,398	S
East Hunsbury Parish Council	4,388	30,513	34,901	S
East Hunsbury Primary Academy	30,249	120,133	150,383	S
East Midlands Leadership Centre	-	153,553	153,553	Y Ad
East Northamptonshire District Council	384,947	1,794,468	2,179,415	S
Eastfield Academy	11,677	36,666	48,343	S
Easy Clean Contractors Limited (St Thomas More Catholic Primary)	202	882	1,084	Ad

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased Body
Easy Clean Contractors Ltd (St Brendan Pri)	600	3,050	3,651	Ad
Ecton Brook Primary (Academy)	41,531	157,015	198,545	S
Ecton Village Academy	4,416	18,442	22,858	S
Elizabeth Woodville Academy	52,071	192,982	245,052	S
emPSN Services Ltd	22,901	59,600	82,500	Ad
Exeter - a learning community	42,110	136,701	178,811	S
Fairfields Special (NCC)	61,339	282,580	343,919	S*
Falconers Hill Academy	10,972	42,870	53,843	S
Falconers Hill Infant School	14,025	51,917	65,941	S
Farthinghoe Primary School	3,057	11,316	14,374	S
Finedon Infants School	10,206	38,464	48,670	S
Finedon Mulso CEVA Junior School	10,957	40,538	51,495	S
Finedon Town Council	3,101	7,655	10,756	S
Freemans Endowed Church of England Junior School	11,617	39,717	51,334	S
Fresh Start Catering Limited	1,407	6,059	7,466	Ad
Friars Academy	39,912	140,392	180,305	S
Futures Housing Group	27,917	320,497	348,414	Ad
G4S	14,318	33,054	47,372	Y Ad
Gateway School (NCC)	28,152	123,076	151,229	S*
Glaphorn Church of England Primary School	7,220	27,061	34,281	S
Grange Community Sch Acad (Kettering)	18,004	69,472	87,476	S
Grange Park Parish Council	1,959	7,423	9,383	S
Great Addington CEVA Academy	3,349	12,855	16,203	S
Greatwell Homes	30,795	7,532	38,327	Ad

Management and Financial Performance (continued)

Employer	Employee Contributions	Employer Contributions	Grand Total	Ceased Body
	£		£	
Green Oaks Academy	14,207	52,394	66,601	S
Greenfields Primary School and Nursery	21,070	72,490	93,560	S
Greenfields Sch & Sports College	53,859	195,470	249,329	S
Greens Norton Primary School	8,330	31,784	40,114	S
Gretton Primary (Academy)	6,919	26,616	33,535	S
GSO Limited (Prince William and Stimpson Avenue)	1,049	4,693	5,742	Ad
Guilsborough CEVA Primary School	8,051	30,475	38,526	S
Guilsborough School (Academy)	60,145	192,613	252,758	S
Hall Meadow Primary Academy	17,935	57,968	75,903	S
Hardingstone Academy	11,965	41,879	53,843	S
Harlestone Primary School (NCC)	4,663	21,705	26,368	S*
Hartwell Primary (Academy)	9,400	31,467	40,867	S
Havelock Infants	14,954	54,670	69,624	S
Havelock Junior	17,102	64,250	81,352	S
Hawthorn Community Primary	12,710	47,402	60,112	S
Hazel Leys Primary & Nursery School	16,533	70,166	86,698	S
Headlands Primary (Academy)	46,501	176,524	223,025	S
Henry Chichele Primary School (NCC)	17,829	82,030	99,860	S*
Higham Ferrers Junior School (NCC)	17,024	76,680	93,704	S*
Higham Ferrers Nur & Inf sch (NCC)	13,625	61,622	75,247	S*
Higham Ferrers Town Council	3,265	12,196	15,461	S
Highfield Nursery (NCC)	9,920	43,122	53,041	S*
Hopping Hill Primary (NCC)	33,902	105,697	139,599	S*

Employer	Employee Contributions	Employer Contributions	Grand Total	Ceased Body
	£		£	
Hospital and Outreach Education PRU	15,349	55,325	70,673	S
Hunsbury Park Primary	23,032	105,014	128,046	S*
Huxlow Science Academy	50,883	190,131	241,013	S
IDVerde	46,867	152,481	199,347	Ad
Irchester Primary	23,931	98,591	122,522	S
Irthlingborough Junior School	26,384	98,478	124,862	S
Irthlingborough Nursery & Infants School	16,124	61,434	77,558	S
Irthlingborough Town Council	7,245	29,356	36,602	S
Isebrook College Academy	86,891	284,200	371,091	S
Isham CE Primary Academy	4,445	20,607	25,053	S
Islip Parish Council	-	2,500	2,500	Y S
Just Ask Estate Services Limited	6,698	29,448	36,146	Ad
Kettering Borough Council	1,012,996	4,116,706	5,129,703	S
Kettering Buccleuch Academy	85,494	253,689	339,183	S
Kettering Park Infants School	14,677	72,379	87,056	S
Kettering Park Junior School	22,744	92,355	115,100	S
Kettering Science Academy (including Compass Primary)	85,842	238,327	324,169	S
Kier (May Gurney Fleet & Passenger)	26,242	95,056	121,298	Ad
Kier (May Gurney Ltd)	34,284	48,808	83,093	Ad
Kier (May Gurney Nordis)	15,661	47,615	63,276	Ad
Kilsby Academy	6,146	21,977	28,122	S
Kings Heath Primary Academy	19,050	61,973	81,023	S
Kings Sutton Primary Academy	9,745	33,847	43,592	S

Management and Financial Performance (continued)

Employer	Employee Contributions	Employer Contributions	Grand Total	Ceased	Body
	£		£		
Kingsley Primary School	19,941	79,837	99,777		S
Kingsley School (Academy)	60,701	221,908	282,609		S
Kingsthorpe College Academy	71,009	240,641	311,649		S
Kingsthorpe Grove P (NCC)	35,851	165,804	201,655		S*
Kingswood Catering (Bridgstock Lathams)	343	1,597	1,940		Ad
Kingswood Catering (Little Harrowden Primary)	353	1,186	1,539		Ad
Kingswood Primary Academy	15,287	61,846	77,133		S
Kingswood Secondary Academy	71,400	285,716	357,116		S
Kislingbury CE Primary Academy	7,170	28,583	35,753		S
Latimer Arts College (NCC)	46,926	207,968	254,894		S*
Legacy Leisure Ltd	885	4,763	5,649		Ad
LGSS Law Ltd (NCC)	98,155	300,036	398,191		S
Lings Primary (Academy)	21,459	69,428	90,888		S
Little Harrowden Community Primary School	10,266	34,507	44,773		S
Loatlands Primary Academy	23,325	86,797	110,122		S
Loddington CE Primary School	6,928	22,146	29,074		S
Lodge Park Academy	39,910	149,893	189,803		S
Longtown Outdoor Learning Trust	2,887	61,609	64,495	Y	Ad
Lumbertubs Primary Academy	12,933	46,973	59,906		S
Magdalen College (Academy)	64,498	244,305	308,803		S
Malcolm Arnold Academy	32,442	101,771	134,213		S
Malcolm Arnold Prep (DRET)	15,102	47,800	62,902		S
Manor School (Academy)	47,248	150,027	197,275		S

Employer	Employee Contributions	Employer Contributions	Grand Total	Ceased	Body
	£		£		
Maplefields Academy	44,411	153,184	197,594		S
Mawsley Primary School	15,104	68,287	83,391		S*
Maxim Facilities Management Ltd	1,930	7,253	9,183		Ad
Meadowside Primary School	24,818	111,551	136,369		S*
Mears Ashby C of E Endowed School	3,934	12,893	16,827		S
Middleton Cheney Academy	19,804	69,398	89,202		S
Millbrook Infant School (NCC)	14,906	67,375	82,281		S*
Millbrook Junior School (NCC)	26,728	121,445	148,173		S*
Milton Parochial Primary School	4,234	18,079	22,313		S
Montsaye Academy	62,644	192,499	255,143		S
Moulton College	227,795	808,170	1,035,965		S
Moulton Parish Council	8,745	32,019	40,764		S
Moulton Primary School (NCC)	28,405	127,531	155,935		S*
Moulton School and Science College	66,533	214,946	281,479		S
Naseby Academy	3,261	11,741	15,002		S
Newnham Primary Academy	5,126	20,892	26,018		S
Newton Road School (formerly Risdene Academy)	28,903	93,834	122,737		S
Nicholas Hawksmoor (Academy)	38,553	129,712	168,265		S
Northampton Academy (ULT)	76,247	216,075	292,322		S
Northampton Borough Council	712,226	5,645,057	6,357,283		S
Northampton College	362,262	1,294,647	1,656,910		S
Northampton High School (Girls' Day School Trust)	21,378	135,501	156,879		Ad
Northampton International Academy	53,297	198,995	252,292		S

Management and Financial Performance (continued)

Employer	Employee Contributions	Employer Contributions	Grand Total	Ceased	Body
	£		£		
Northampton Partnership Homes Ltd	534,631	3,000,365	3,534,996		S
Northampton School for Boys	80,723	268,001	348,724		S
Northampton School for Girls Academy	61,183	233,898	295,081		S
Northampton Theatres Trust Ltd	14,221	150,273	164,494		Ad
Northamptonshire Carers	5,202	19,615	24,817		Ad
Northamptonshire County Council	6,688,164	25,953,888	32,642,052		AA
Northamptonshire Fire & Rescue Service	156,209	421,420	577,629		S
Northamptonshire Sport	18,745	46,993	65,738		Ad
Northants Chief Constable	1,728,178	5,438,377	7,166,555		S
Northants Music & P/A Trust	4,219	3,162	7,381		Ad
Northants Police & Crime Commissioner	121,059	340,805	461,864		S
Northgate Sch Arts (Academy)	97,131	335,622	432,753		S
NSL Ltd	3,559	-	3,559		Ad
Oakley Vale Academy	16,358	50,103	66,461		S
Oakway Academy	24,817	99,618	124,435		S
Old Stratford Primary School	10,396	42,178	52,574		S
Olympic Primary School Academy	17,408	64,189	81,597		S
Oundle CE Primary School	19,261	65,737	84,998		S
Oundle Town Council	3,786	14,896	18,683		S
Our Lady of Walsingham	22,396	77,184	99,580		S
Our Lady's Catholic Primary School	23,487	106,850	130,337		S*
Overstone Primary School	7,654	34,913	42,567		S*
Park Junior School	20,578	92,419	112,998		S*

Employer	Employee Contributions	Employer Contributions	Grand Total	Ceased	Body
	£		£		
Parklands Primary School	12,879	48,138	61,017		S
Parkwood Leisure Ltd	1,330	5,367	6,696		Ad
Paulerspury CoE Primary (NCC)	9,846	29,466	39,312		S*
Pboro Diocese Ed. Trust (HQ)	47,504	122,730	170,234		S
Pineham Barns Primary School (Free School)	12,612	40,889	53,500		S
Pitsford Primary School	3,029	14,101	17,130		S*
Places For People Leisure Management Ltd	5,484	443	5,927		S
Polebrook Church of England Primary	615	3,332	3,946		S
Polebrook CofE Primary (NCC)	3,328	16,115	19,443	Y	S*
Preston Hedge's Primary (Acade)	26,231	84,374	110,604		S
Prince William Academy	18,425	90,138	108,563		S
Priors Hall – A Learning Community	21,338	76,743	98,080		S
Prospects Services	8,131	-	8,131		Ad
Purple Oaks Academy	27,628	106,655	134,283		S
Pytchley Endowed CEVA Primary School	5,691	26,568	32,260		S
Queen Eleanor Primary Academy	15,803	61,920	77,724		S
Raunds Park Infant School Academy	7,390	33,797	41,187		S
Raunds Town Council	4,635	25,047	29,682		S
Rectory Farm Primary Academy	15,516	56,607	72,123		S
Redwell Primary School (NCC)	32,262	145,948	178,210		S*
Ringstead CofE Primary Academy	6,312	25,278	31,590		S
Road Primary School	14,811	67,306	82,117		S*
Rockingham Forest Trust	4,658	10,027	14,685		Ad

Management and Financial Performance (continued)

Employer	Employee Contributions	Employer Contributions	Grand Total	Ceased	Body
	£		£		
Rockingham Primary Academy	14,709	53,512	68,221	S	
Rothwell Junior School	15,530	58,111	73,642	S	
Rothwell Town Council	1,036	4,160	5,196	Ad	
Rothwell Victoria Infants School	15,255	56,104	71,359	S	
Rowan Gate Primary (NCC)	79,050	353,882	432,932	S*	
Rushden Academy	42,599	149,225	191,824	S	
Rushden Primary Academy	16,541	58,865	75,406	S	
Rushden Town Council	18,072	67,103	85,175	S	
Rushton Primary Academy	5,880	22,056	27,936	S	
Ruskin Infant School and Nursery	4,810	19,407	24,217	S	
Ruskin Junior Academy	14,694	60,189	74,883	S	
Shaw Healthcare	8,913	266	9,179	Ad	
Silverstone CE Primary Academy	7,626	37,642	45,267	S	
Silverstone UTC	29,666	73,264	102,930	S	
Simon de Senlis Primary Academy	22,170	87,432	109,602	S	
Sir Christopher Hatton Academy	66,467	204,729	271,195	S	
South End Infant Rushden (NCC)	19,553	88,884	108,437	S*	
South End Junior Rushden (NCC)	27,059	85,263	112,322	S*	
South Northants Council	459,305	2,187,391	2,646,695	S	
South Northants Homes	91,404	445,596	536,999	Ad	
Southfield Primary Academy	10,230	44,410	54,640	S	
Southfield School for Girls Academy (Kettering)	38,217	133,100	171,317	S	
Sponne School (Academy)	80,762	260,679	341,441	S	

Employer	Employee Contributions	Employer Contributions	Grand Total	Ceased	Body
	£		£		
Spratton CE Primary School	2,630	10,519	13,148	S	
Spring Lane Primary Academy	19,986	73,174	93,160	S	
Spurgeons (Northampton North)	656	2,517	3,173	Y	Ad
St Andrews Primary Academy	19,436	65,408	84,844	S	
St Barnabas	11,502	44,968	56,470	S	
St Brendan's Catholic Primary School	11,392	51,398	62,790	S	
St Edwards Catholic Primary	10,929	46,841	57,770	S	
St Gregory's Catholic Primary School	24,821	93,527	118,348	S	
St James CE Primary School	37,713	137,128	174,841	S	
St James Infant School	14,270	48,629	62,899	S	
St Loy C of E Primary Academy	3,851	15,616	19,467	S	
St Luke Academies Trust HQ staff	19,797	60,869	80,666	S	
St Lukes CEVA Primary School Academy	17,704	70,765	88,469	S	
St Marys Catholic Primary School	11,754	45,690	57,444	S	
St Mary's CEVA Pri Acad Kettering	17,161	65,364	82,525	S	
St Mary's Pri Acad, Burton Latimer	19,335	72,183	91,518	S	
St Patrick's Primary (NCC)	15,333	68,622	83,955	S*	
St Peter's C of E Academy	9,286	34,175	43,462	S	
St Thomas More Catholic Primary School (NCC)	10,118	43,395	53,513	S	
Standens Barn Primary School Academy	19,743	74,972	94,715	S	
Stanwick Parish Council	1,083	4,743	5,826	S	
Stanwick Primary School	8,789	37,714	46,504	S	
Staverton CofE Pri Academy	5,854	26,628	32,482	S	

Management and Financial Performance (continued)

Employer	Employee Contributions	Employer Contributions	Grand Total	Ceased	Body
	£		£		
Stimpson Avenue Primary Academy	17,032	65,811	82,843		S
Studfall Infant School & Nursery Academy	24,856	102,959	127,815		S
Studfall Junior School Academy	27,468	119,070	146,539		S
Sunnyside Primary (Academy)	11,429	48,366	59,795		S
Sywell CEVA Primary	4,829	22,249	27,078	Y	S
Taylor Shaw (The Ferrers School)	5,264	19,927	25,191		Ad
The Abbey Primary School Academy	15,348	57,495	72,842		S
The Arbours Primary (Academy)	16,963	54,594	71,557		S
The Avenue Infants School (NCC)	14,102	63,413	77,515		S*
The Bramptons Primary School	4,503	20,799	25,302		S*
The Childrens Trust	743,522	2,259,533	3,003,055		S
The Coombs Catering Partnership (The Good Shepherd Primary Academy)	584	2,618	3,202		Ad
The Duston School (Academy)	74,051	237,949	312,001		S
The Ferrers School Academy	43,346	152,732	196,078		S
The Good Shepherd Catholic Primary Academy	14,160	59,884	74,044		S
The Parker E-ACT Academy	169,819	397,951	567,770	Y	S
The Radstone Primary School	4,115	11,794	15,909	Y	S
The Red Kite Academy	45,245	141,240	186,485		S
The Spires Academy	11,795	44,171	55,966		S
The University of Northampton	1,089,102	3,992,109	5,081,211		S
Thomas Becket Catholic Academy	26,568	111,360	137,928	Y	S

Employer	Employee Contributions	Employer Contributions	Grand Total	Ceased	Body
	£		£		
Thorplands Primary (Academy)	19,670	72,404	92,073		S
Thrapston Primary School (NCC)	29,329	132,133	161,462		S*
Thrapston Town Council	2,803	10,471	13,274		S
Towcester CE Primary School (Acad)	15,468	73,380	88,848		S
Towcester Town Council	5,655	23,081	28,735		S
Trinity CE Primary School	5,916	23,476	29,392		S
TTC 2000 Limited	1,439	4,493	5,932		Ad
Uni of Northampton Enterprises	27,463	64,883	92,346		Ad
Unity Leisure Trust	52,556	-	52,556		Ad
Upton Meadows	27,678	111,553	139,231		S
Upton Parish Council	993	4,622	5,615		S
Veolia UK Ltd	61,695	246,965	308,660		Ad
VERNON TERRACE PRIMARY (NCC)	22,337	97,563	119,899		S*
Victoria Primary Academy	24,390	82,282	106,671		S
Voice for Victims and Witnesses Ltd	21,853	78,477	100,329		Ad
Walgrave Primary School	8,025	37,475	45,500		S*
Warwick Primary Academy	18,066	59,932	77,998		S
Waynflete Infants' (Academy)	7,159	33,594	40,753		S
Weavers Academy	63,269	226,598	289,867		S
Weedon Bec Academy	20,858	75,158	96,016		S
Weedon Bec Parish Council	1,290	5,648	6,938		S
Weldon Parish Council	-	506	506	Y	S
Weldon Primary Academy	8,389	37,935	46,324		S
Welford, Sibbertoft and Sulby Endowed School	3,599	15,532	19,131		S

Management and Financial Performance (continued)

Employer	Employee Contributions	Employer Contributions	Grand Total	Ceased	Body
	£	£	£		
Borough Council of Wellingborough	237,285	1,861,990	2,099,276		S
Wellingborough Norse Limited	67,860	-	67,860		Ad
Welton C of E Primary (Academy)	5,975	20,157	26,132		S
West Haddon Parish Council	2,051	9,410	11,461		S
Weston Favell Academy	59,010	203,140	262,151		S
Weston Favell Primary (Academy)	29,340	105,492	134,832		S
Whitefriars Primary School	22,978	103,754	126,733		S*
Whitehills Primary (NCC)	18,739	86,178	104,916		S*
Wilbarston Primary Academy	6,475	19,392	25,867		S
Windmill Primary School Academy	19,697	74,715	94,412		S
Wollaston Primary Academy	12,386	46,332	58,717		S
Wollaston School (Secondary)	54,166	220,219	274,385		S
Woodford CofE Primary School Academy	4,815	20,135	24,949		S
Woodford Halse CE Primary Academy	14,957	50,986	65,943		S
Woodland View Primary Academy	18,960	73,307	92,268		S
Woodnewton - a learning community	58,188	178,703	236,891		S
Woodvale Primary (Academy)	21,155	69,956	91,111		S
Wootton Parish Council	6,592	27,951	34,542		S
Wootton Park School	48,886	137,825	186,710		S
Wootton Primary (Academy)	21,212	77,922	99,134		S
Wren Spinney Community Academy	32,468	143,219	175,687		S
Wrenn School Academy	65,183	239,512	304,695		S
WSP Management Services Ltd	45,029	-	45,029		Ad
Yardley Hastings Primary School	7,731	35,990	43,721		S*
Grand Total	23,431,037	92,880,326	116,311,363		

Investment Policy and Performance

Introduction

The Fund's approach to its investment arrangements is set out in its Investment Strategy Statement, (ISS) as required by Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations") that requires the Fund to create and maintain an approach to investments that includes, amongst other things:

- a) a requirement to invest fund money in a wide variety of investments;
- b) the Fund's assessment of the suitability of different types of investments;
- c) the Fund's approach to risk, including the ways in which risks are assessed and managed;
- d) the Fund's approach to pooling investments;
- e) the Fund's policy on how social, environmental and corporate governance considerations are taken into account; and
- f) the Fund's policy on the exercise of the rights (including voting rights) attaching to investments.

The Pensions Committee (PC) approves investment policies and strategy and an Investment Sub-Committee (ISC), which is supported by the Fund's Advisors, to implement these investment policies and strategy, which includes the appointment and dismissal of Investment Managers and monitoring of performance.

The Fund adopts a long-term perspective, focussing its investment strategy to generate sustainable returns on a risk adjusted basis to grow the Fund's assets to reflect its equally long-term future liabilities. Over the last year the Pensions Committee, Local Pensions Board, Fund officers and professional advisors have worked together to carry out a review of the Fund's existing ISS. As part of this wide-ranging review, a specific focus was placed on the topic of responsible investment, including the responsible investment

responsible investment beliefs of the Pensions Committee and Local Pension Board members and the opportunity has been taken to propose a strengthening of the Fund's responsible investment beliefs and policies with respect to Climate change. The review led to the development of an enhanced and expanded Responsible Investment Policy, which has been included in the new draft ISS. The Fund is running a consultation with relevant stakeholders regarding the revised ISS and expect the final version to be approved and published later in 2021.

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), which is a voluntary association of LGPS funds that seeks to protect and enhance the value of its members' shareholdings by way of shareholder engagement, by action on corporate governance issues and by seeking to promote the highest standards of corporate social responsibility at the companies in which LAPFF members invest. Through LAPFF, the Fund exercises its belief that engagement with company management to promote improvements in SRI practices is more powerful than divesting from the company's shares.

The Fund supports the principles of the UK Stewardship Code (the "Stewardship Code") and will be working with the Fund's Advisors to assess the impact of the "apply and explain" Principles of the revised 2020 UK Stewardship Code.

Information about Investment Manager voting is available at [Northamptonshire Pension Fund Key Documents](#)

Role of Investment Managers

Each Investment Manager relationship is governed by an Investment Management Agreement, which sets out how much they can invest, the asset class in which the Fund has employed them to invest, the expected target return and how much the Fund will pay for this service.

Investment Policy and Performance (continued)

Active focus

The Fund with the exception of the passive Global Equity mandate and passive index-linked bonds, favours “active” briefs to outperform agreed specific benchmarks.

Custodian

The Fund’s Custodian is Northern Trust. The Custodian is responsible for ensuring that the Fund has good title to all investments, that all trades instructed by Investment Managers are settled on time and that all income due to the Fund is received and recorded accurately. Northern Trust also maintain the investment accounting records for the Fund.

Asset Pooling

The Fund is working with ten like-minded LGPS funds to implement the ACCESS asset pool in response to the Government’s LGPS reform agenda. The main aim is to encourage LGPS Funds to work together to form asset pools to “pool investments to significantly reduce costs, while maintaining investment performance.” 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 as at 31st March 2021, the ACCESS Pool has significant scale with assets of £56bn (of which 57% has been pooled) serving 3,400 employers with 1.1 million members including 300,000 pensioners.

The roles and decision-making relationship between the eleven funds is informed by an Inter Authority Agreement. The ACCESS pool is governed by the ACCESS Joint Committee (AJC) comprising the Chairmen of the eleven constituent funds. The AJC have appointed Link Fund Solutions Ltd (Link) as operator of the pool and the LF ACCESS Authorised Contractual Scheme (ACS).

The Fund’s passive equity investments are invested with UBS Asset Management under a collaborative arrangement with fellow ACCESS funds, which has generated significant fee savings for the Fund.

At 31 March 2021, the Northamptonshire Fund had invested £1,287m in sub-funds of the ACCESS Authorised Contractual Scheme and £971m in the UBS passive arrangement resulting in £2,258m of assets under pool management representing 73.1% of the Fund’s assets.

During 2021-22 the Fund expects to invest in fixed income sub-funds of the ACS when they become available. The focus for ACCESS in 2021-22 is to continue work performed in 2020-21 to develop a pooled solution for Alternative asset classes.

The ACCESS Support Unit (ASU) has been created to manage the Operator contract against specified KPIs and provide technical and secretariat support services to the AJC and Officer Working Group (OWG).

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.

More information about the ACCESS asset pool can be found on their website: [ACCESS Pool](#) . The ACCESS Annual Report can be found at Appendix A to the Annual Report.

Investment Policy and Performance (continued)

The Costs of Pooling

The costs of the pool are collected by a nominated ACCESS authority and re-charged in equal shares to the eleven ACCESS funds.

Northamptonshire's share of costs is reported within Oversight and Governance Costs in Note 12 to the Statement of Accounts and comprises the following:

Operational Costs	2020-21	2015-16 to 2020-21 Cumulative
	£000	£000
Strategic & Technical	26.4	129.0
Legal	13.4	97.0
Project Management	0.0	81.1
ACCESS Support Unit	34.7	115.6
Other	3.9	26.7
Total Operational Costs	78.4	449.4

Cost Transparency - continued

	Asset Pool			Non- Asset Pool			Fund Total	
	Direct	Indirect	Total	Direct	Indirect	Total		
	£000	£000	£000	£000	£000	£000	£000	£000
Investment Management Fee	4,376	-413	3,963	3,294	1,236	4,530		8,493
Performance Fee	0	0	0	1,539	320	1,859		1,859
Transaction taxes	0	0	0	406	89	495		495
Broker commissions	0	154	154	76	90	166		320
Other explicit costs	0	214	214	31	160	191		405
Implicit/indirect transaction costs	0	5,976	5,976	60	2,348	2,408		8,384
Administration	136	95	231	552	259	811		1,042
Governance and Compliance	0	16	16	271	135	406		422
Other	126	-88	38	61	2,347	2,408		2,446
Total	4,638	5,954	10,592	6,290	6,984	13,274		23,866

Cost Savings

The fee savings for the 2020-21 financial year resulting from the asset pooling agenda exceed £1.443m.

Cost Transparency

The analysis below shows the investment expenses incurred during financial year 2020-21 between expenses incurred in respect of Pooled Assets held in the ACCESS Pool and those assets held outside of the pool. Direct costs include: invoiced costs and costs deducted from the value of fund, or from income generated, in accordance with the fee agreement in place with each manager and explicit transaction costs. Indirect costs include: implicit costs and third party fees and charges. These are indicative estimates provided by Investment Managers as the reporting practices for the Cost of Transparency are still evolving.

Investment Policy and Performance (continued)

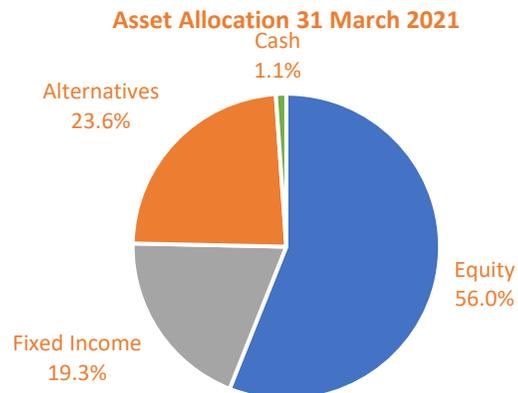
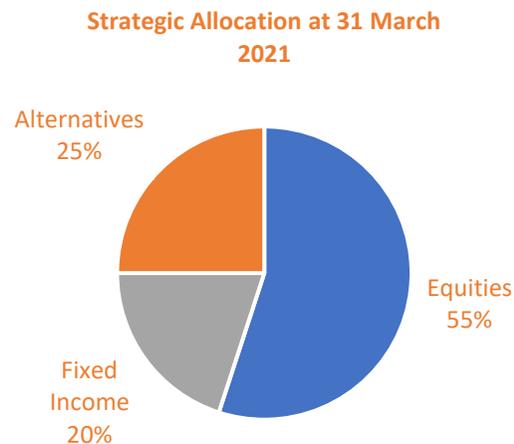
Investment Allocation and Performance

The Pension Fund Committee is responsible for approving the Strategic Asset Allocation proposed by the Investment Sub-Committee (ISC). The ISC performed a full review of the Strategic Asset Allocation during 2018-19 in conjunction with the Fund's Investment Consultants, Mercer Ltd and independent Investment Advisor. The review assessed the appropriateness of the current strategy and any changes necessary to increase the likelihood of meeting the Fund's objectives, namely:

- To reach full funding and be in a position to pay benefits as they fall due; and
- To ensure contributions remain affordable to employers

The strategy approved by the Pension Committee in December 2018 aimed to reduce the Fund's reliance upon, and the associated risks, of a large allocation to equities whilst retaining sufficient exposure to growth assets. The strategy focused on a reduction in equities and an increase in Alternative assets (such as Private equity and Infrastructure) and a flexible allocation to fixed income. The ISC subsequently reviewed the regional mix within the equity allocation and as a result reduced the exposure to UK Equities in conjunction with the roll-out of sub-funds offered by the ACCESS pool ACS.

The charts below show the Strategic Asset Allocation at the close of the financial year compared to the actual allocation of assets at 31 March 2021.



Investment Policy and Performance (continued)

Value of Investments held by each of the Fund's Investment Managers on 31 March 2020 and 31 March 2021:

Manager	31 March 2020		31 March 2021	
	£million	% of Total	£million	% of Total
Majedie UK Equity	179.3	7.5	278.3	9.0
UBS UK Passive Equity	19.2	0.8	24.5	0.8
Newton Global Equity	207.9	8.7	284.1	9.2
Baillie Gifford - Long Term Global Growth	244.8	10.2	259.5	8.4
Longview Global Equity	184.0	7.7	250.7	8.1
UBS Passive Global Equity	454.4	19.0	634.7	20.5
UBS Index Linked Gilts	259.7	10.9	311.8	10.1
BlueBay	-	-	143.1	4.6
M&G Alpha Opportunities	-	-	142.3	4.6
Wellington	177.9	7.4	-	-
CBRE Property	202.1	8.4	204.5	6.6
UBS Property	0.3	0.0	-	-
Baillie Gifford – Diversified Growth	260.2	10.9	214.4	7.0
M&G Residential Property	44.3	1.9	44.5	1.4
HarbourVest	29.4	1.2	68.9	2.2
Adams Street	19.5	0.8	44.0	1.4
AMP Capital	35.2	1.5	38.1	1.2
Allianz	17.1	0.7	20.1	0.7
IFM Infrastructure	46.7	2.0	48.1	1.6
JP Morgan	-	-	45.6	1.5
Catapult	0.3	0.0	0.5	0.0
Cash	10.4	0.4	33.8	1.1
Total	2,392.7	100.0	3,091.5	100.0

Investment Policy and Performance (continued)

Total Fund Performance

The total investment return for the Fund over the financial year was 27.0% net of fees compared with a weighted benchmark return of 22.9%. In the previous year the total investment return was -4.7% compared with a weighted benchmark of -4.5%. The Fund's total investment return was 9.1% p.a over the three years to 31 March 2021, 10.2% p.a over the five years to 31 March 2021, and 8.6% p.a over the ten years to 31 March 2021.

Performance of Managers

The ISC continues to monitor the Investment Managers' performance against their benchmark at their quarterly meetings. All managers are measured against market-based performance benchmarks with bespoke outperformance targets set for active managers which are expected to be met over a three to five year period. Net of fees performance of each manager compared to benchmark over one, three and ten years is shown in the table below.

Asset Class /Manager	1 year (% p.a)			3 year (% p.a)			10 year (% p.a)		
	Return	Benchmark	Variance	Return	Benchmark	Variance	Return	Benchmark	Variance
Majedie UK Equity	32.2	26.7	5.5	2.6	3.2	-0.6	7.9	6.0	1.9
Newton – Global Equity	36.2	38.9	-2.7	14.9	12.7	2.2	12.1	10.8	1.3
Baillie Gifford - Long Term Global Growth	85.0	38.9	46.1	n/a	n/a	n/a	n/a	n/a	n/a
Longview Global Equity	35.9	38.4	-2.5	n/a	n/a	n/a	n/a	n/a	n/a
UBS – Passive Global Equity	39.0	38.9	0.1	12.0	12.0	0.0	10.0	n/a	n/a
UBS – Index-Linked Gilts	-2.7	-2.6	-0.1	2.5	2.5	0.0	n/a	n/a	n/a
Baillie Gifford – DGF	17.8	3.6	14.2	2.7	4.1	-1.4	n/a	n/a	n/a
CBRE – Property	-1.4	2.5	-3.9	0.7	2.4	-1.7	6.4	7.4	1.0
M&G – Residential Property	0.3	6.0	-5.7	n/a	n/a	n/a	n/a	n/a	n/a
HarbourVest – Private Equity	10.8	39.1	-28.3	10.8	14.0	-3.2	n/a	n/a	n/a
Adams Street – Private Equity	40.5	39.1	1.4	22.0	14.0	8.0	n/a	n/a	n/a
AMP Capital – Infrastructure Debt	0.0	10.0	-10.0	0.7	10.0	-9.3	n/a	n/a	n/a
Allianz – Infrastructure Debt	12.6	4.0	8.6	n/a	n/a	n/a	n/a	n/a	n/a
IFM Infrastructure	3.0	10.0	-7.0	n/a	n/a	n/a	n/a	n/a	n/a

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

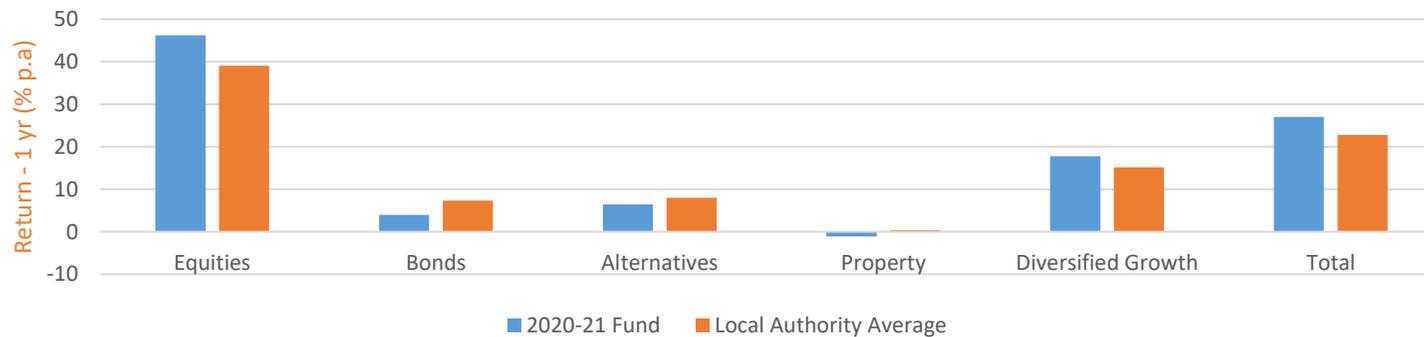
Investment Policy and Performance (continued)

Performance in Comparison with Local Authority Universe

The Local Authority Universe is a national scheme consisting of 64 pension funds collated by PIRC Ltd that provides benchmarking of local authority pension funds investment performance.

In 2020-21 the Fund's performance of 27.0% net of fees over the financial year was ranked 33rd percentile out of the 64 Funds participating in the Universe. The investment return achieved was influenced by the Fund's holding of a higher proportion of Global Equities.

Investment Return compared to Local Authority Universe



The Fund's current strategy has a equal allocation to Equities and a lower allocation to Alternatives when compared to the Local Authority Universe, however the revised investment strategy, for which implementation started during 2019-20, will change the profile of the Fund's assets resulting in an increased allocation to Alternatives.

Investment Allocation compared to Local Authority Universe



Investment Policy and Performance (continued)

Investment Review – Financial Year to 31st March 2021

“If history repeats itself, and the unexpected always happens, how incapable must Man be of learning from experience.” George Bernard Shaw

Despite previously having had a global health crisis in the form of the Spanish Flu pandemic of 1918, and a more recent reminder in the form of the SARS outbreak in Asia in 2003, the current Covid-19 pandemic caught almost every person, business and government by surprise. Setting aside the tragic human cost – which continues to grow in certain parts of the world, notably India – the financial cost has also been significant to those same people, businesses and governments.

The near shutdown of the global economy at the end of the Fund’s previous financial year was only the beginning of the widespread turmoil associated with trying to deal with the many-faceted global health crisis. However, stock markets have – for the most part – rebounded close to their pre-Covid levels; indeed the FTSE 100 Index is currently sitting at just less than 10% off its highest level of pre-Covid 2020, which reflects a relatively rapid turnaround from the 30% drop it experience in March 2020.

Region	Index	12 month % return GBP
UK	FTSE All Share	26.7
Europe	FTSE Europe X UK	34.9
US	S&P 500	40.5
Japan	TOPIX	24.8
Asia	MSCI AC Asia ex Japan	41.4
Emerging Markets	MSCI Emerging Markets	42.3

Source: Thomson Reuters Datastream

The US market rallied even more strongly and more quickly than that, with the S&P 500’s journey from a record high to a bear market (defined as a drop of 20% or more), back to a new record high taking just 126 trading days, the fastest-ever such climb. There are any number of possible reasons behind the fastest-ever swoon and recovery in the US, but high economic hopes, ‘tech’ stock dominance and the return of retail stock investors - confined to their homes during lockdown and looking for stimulation - are three of the more persuasive ones.

One possible reason for the better-than-anticipated performance of global equity markets in general was the apparent lack of en-masse equity selling by institutional investors as the crisis unfolded. Alternatives for equity investors caught in the pandemic-induced market falls were hard to find, as

- government bonds remained relatively expensive in historic terms;
- corporate bonds recovered relatively quickly, closing the Covid-created credit spread over government debt;
- real estate suffered from systemic illiquidity and the disastrous effect of lockdown on the retail sector; and
- commodities such as oil took a beating from the worldwide collapse in demand.

A combination of these factors saw most equity investors sit tight, having no attractive, immediately-accessible alternative home for their capital. As a result, there was no obvious panicked fire sale of listed assets; so, supply did not swamp demand and place investor-driven downward pressure on already wobbly equity market prices. The Fund, quite rightly, demonstrated a steady hand on the tiller in turbulent waters, sticking to its long term investment strategy – a decision which can already been seen to be very wise, given the ultimate equity returns for the year.

Investment Policy and Performance (continued)

Pandemic Winners and Losers

The pandemic shone a spotlight on the 'disaster recovery' plans of all organisations; the contingency plans (previously made on the remote chance that an event would pose a significant operational hindrance to companies) became activated, and it quickly became clear that companies that conducted a significant amount of their work and commerce in a digital manner were well placed to get back up and running more quickly than their peers that for the most part operated in the 'real' world.

Dealing with a global pandemic changed our shared version of the world in any number of ways, some big and some small. The previously-mentioned tech companies were the highest profile beneficiaries, as more people worked from home, needing laptops, webcams and Zoom (online video conferencing) subscriptions. Lockdowns around the world also helped markedly improve the fortunes of companies that had e-commerce capabilities – with the biggest beneficiary, arguably, being Amazon, which recently announced a tripling of profits as the pandemic significantly accelerated the already growing trend for online shopping.

The main losers were companies that operated in the real (as opposed to the digital) world, with the biggest brunt of pandemic-induced restrictions being borne by the 'bricks and mortar' retail, hospitality and travel sectors. Shops, pubs and restaurants were closed for extended periods, hotels lay empty and global commercial air travel all but ground to a halt. One particularly depressing effect of Covid-19 on these sectors was the impact it had on casual, seasonal and part-time low paid employees, who have arguably been hit harder than any other socio-economic group.

Desperate Measures

In the UK, the Government introduced a furlough scheme to help companies pay their employees and therefore prevent a massive rise in unemployment - and also provided additional funding via a range of schemes to businesses to help them stay afloat.

All of this additional spending from the Government had to come from somewhere; the Office for Budget Responsibility (OBR) - which keeps tabs on government spending – recently said that Government borrowing for the year to April 2021 would be £355 billion, which is the highest figure ever seen outside wartime. As a result public sector net debt was £2,141.7 billion at the end of March 2021 - or around 97.7% of the UK's gross domestic product (GDP), maintaining a level not seen since the early 1960s.

Asset Type	Index	12 month % return
UK Government Bonds	FTSE A Over 15 Year Gilts Index	(10.4)
UK Index Linked Bonds	FTSE A Over 5 Year Index Linked Gilts Index	2.6
Global Bonds	Merrill Lynch Global Broad Market index	(7.0)
UK Property	MSCI All Balanced Property Funds Index	2.5

Source: Thomson Reuters Datastream

Opening the world back up relies heavily on the global Covid-19 vaccination programme, and incredible progress has been made in the last year, from a standing start, by a number of countries inoculating their citizens (the UK with 23% of the population fully vaccinated, Israel with 56% and Chile with 36%). However, there are many countries that are struggling with access to vaccinations, and the logistics of getting them to their citizens. There is a real danger that developed nations will be the 'winners', in terms of opening up first; it is, however, important to remember that mutations of the virus can occur anytime and anywhere, and the longer it takes to vaccinate everyone, the greater the risk that we might go through all of this pain again.

Main Street vs Wall Street

An unexpected pandemic winner/loser combination hit the headlines in the US at the turn of the year; the battle between hordes of retail investors and Wall Street hedge funds over the fate of a bricks and mortar retailer, GameStop. This conflict generated some of the year's most memorable financial

Investment Policy and Performance (continued)

reporting, with the day traders (predominantly operating on the Robinhood online trading platform) winning the battle, causing losses of close to \$13 billion for the hedge fund short sellers of GameStop. The latter had hoped the stock price would go down, to make their returns, but instead the former pushed demand for the stock to stratospheric levels, driving the price up from \$12 a share on 12th January to almost \$350 just 15 days later.

Then came a great furore around Robinhood's subsequent decision to stop clients trading GameStop stock for a period (which was reportedly due to regulatory capital issues, rather than the rumoured pressurising of Robinhood by the hedge funds to restrict trading), which caused significant losses for some of the retail investors, and ended with hearings on the matter by the House Financial Services Committee of the US Congress.

Ultimately, it remains to be seen if this was more than just a limited action, facilitated in part by the pandemic lockdown. It did, however, neatly demonstrate the power of social media – particularly the Reddit platform – in facilitating co-ordinated action between disparate groups of investors. It is unlikely that retail investors would win any 'war' against the larger asset managers and banks, but many will feel that the pain experienced by Wall Street in this battle was payback for the absence of pain it alone felt after the 2008 financial crisis.

Brexit

The UK formally left the European Union on 31st January 2021, bringing to a close the 'end of the beginning' in the departure process. Having now finally left, a period of relative calm initially descended. Many of the worst case predictions – 7,000 lorries queuing on motorways, food rotting at border posts, the flow of critical medicines being disrupted - failed to materialise.

With the issue of Brexit having been ongoing since June 2016 (when the result of the public referendum was announced), financial markets have been reacting to it on an ongoing basis, following every twist and turn of the negotiations between the UK and the EU, and pricing in a lot of bad news. Indeed Sterling's decline against the Dollar caused (arguably) by Brexit is almost of the same magnitude as its fall against the Dollar in the Global Financial Crisis of 2008.

Whatever one's personal views, it is clearly too soon to tell whether Brexit will ultimately be good or bad for the UK. Recriminations over the AstraZeneca Covid-19 vaccine supply delay to the EU, the continued uncertainty over the border situation between Northern Ireland and the Republic of Ireland, and protesting French fishermen off the coast of Jersey are indicators that things are going to be tense for the foreseeable future. Sadly for all concerned, the Brexit saga is not over – indeed, it might actually just truly be starting.

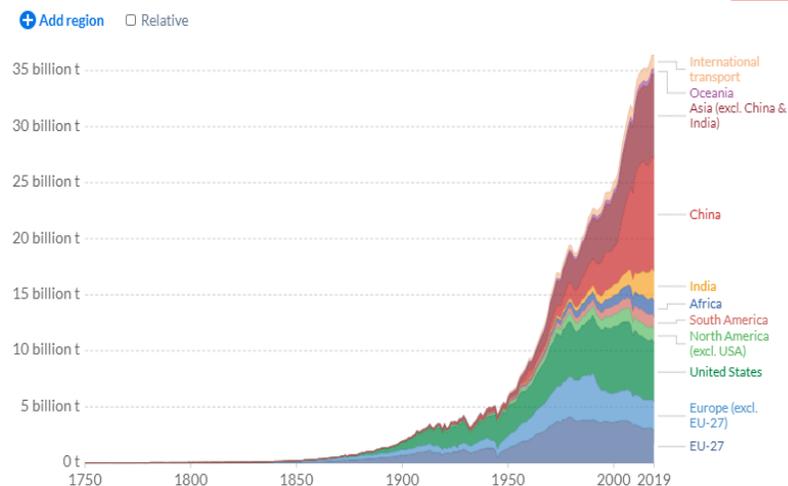
Climate Action?

With the arrival of President Biden in the White House in January 2021 following his successful election win in November 2020, a more positive overall tone was set by his Administration, in stark contrast to his predecessor. The 'America First' doctrine of President Trump was replaced by immediate signs of America re-engaging with the world. One of the first acts carried out by President Biden was for the US to re-join the Paris Climate Agreement - the very same agreement from which his predecessor withdrew barely 2 months beforehand. And whilst the US represents 'only' around 15% of global greenhouse gas emissions, reengaging on the climate change issue was very significant for investors such as the Fund with significant sums invested in US companies – who are notorious laggards when it comes to acknowledging, let alone starting to quantify and address, their impact on the planet's climate.

At a (virtual) meeting of the UN General Assembly in September 2020, Chinese President Xi Jinping said the country planned "to have CO2 emissions peak before 2030 and achieve carbon neutrality before 2060". This was Beijing's first formal announcement of a long-term plan to lower carbon emissions within a fixed timeline, and is arguably more important to all of us than the US re-joining the Paris Agreement. Given China's extensive use of coal fired power stations and significant heavy industry sector, this step has the potential to be very significant in terms of the global move to a low carbon global economy. However – as with all commitments made by nations to lower carbon emissions – no immediate meaningful action was proposed. And, despite the reduction of global carbon emissions due to the pandemic, the human race continues to pump billions of tonnes of carbon into the earth's atmosphere.

Investment Policy and Performance (continued)

Annual total CO₂ emissions, by world region



Source: Our World in Data based on the Global Carbon Project
 Note: This measures CO₂ emissions from fossil fuels and cement production only - land use change is not included. 'Statistical differences' (included in the GCP dataset) are not included here.

Responsible Investing

Climate change and 'ESG' – Environmental, Social and Governance – factors became increasingly prominent in the minds of institutional investors in the last year, with the topic gathering pace and increasing further in importance for investors with long-term time horizons such as the Fund. Almost all long term investors – including Northamptonshire – are devoting increasing time and effort to identifying and addressing these ESG issues, for the long term financial benefit of scheme beneficiaries. During the year, the Pensions Committee, Investment Sub-Committee and Officers worked on developing a new Responsible Investment ('RI') policy for the Fund, which sets out how ESG factors such as climate change will be addressed in the investment arrangements of the Fund. The new policy is currently out for consultation, and will be submitted for approval by the Pensions Committee later in 2021.

Fund Investment Performance

	1 Year Performance	3 Year Performance (p.a.)	5 Year Performance (p.a.)
Northamptonshire Pension Fund	27.0%	9.1%	10.2
Fund Benchmark	22.9%	8.2%	9.6

The Fund returned 27% for the year to 31st March 2021, outperforming the benchmark return of 22.9%. This outperformance was primarily due to the Fund's equities investments delivering strong bounce-back returns, and within the equity allocation two of the Fund's managers – Majedie and Baillie Gifford – delivered above benchmark returns, with the latter having a particularly outstanding year.

The Fund's fixed interest allocation also delivered above-benchmark returns, with the newly appointed M&G performing well from the start of their mandate. The Fund's exposure to Alternatives saw mixed results across different areas; the Adams Street private equity investments performed strongly but CBRE's property investments had a tough time, with Covid lockdowns being a particularly strong negative performance factor.

On the whole, it is pleasing to report that the Fund is performing ahead of its benchmark over the 1, 3 and 5 year time periods.

Investment Strategy

Readers of the Fund's previous Annual Reports may recall that the Fund undertook a formal review of its investment strategy in the 2018/19 financial year. These reviews occur every three years, following on from the triennial Actuarial Valuation, and present opportunities for 'tweaks' to the Fund's long-term investment strategy, rather than requiring radical surgery. The investment approach taken by the Fund has evolved over time to reduce dependency on equities (which, as the last year has proven, can be very volatile), and to allocate some of that capital to other asset classes. The current investment strategy represents a sensible diversification of investment risk, whilst keeping the need to generate sufficient returns to pay the benefits in mind and being mindful of the long term nature of investing.

Investment Policy and Performance (continued)

Outlook

If your only source of information were the financial markets, you would almost certainly have formed the view that the world had successfully tackled the Covid-19 pandemic, and is almost back to business as usual. As someone who experienced the 'Dot Com Bubble' of 2000, and the Great Financial Crisis of 2008 whilst working as an investment professional, the current market levels after such a market shock seem unwarranted. Whilst many companies have done relatively well – despite the pandemic – and in some instances are sitting on cash piles, many have not. 'Back to normal' is, in my opinion, not something we have as yet achieved.

There are many potential stumbling blocks ahead in the short term – virus mutations, more lockdowns, continuing restrictions on movements of people and goods around the world, and slow or non-existent vaccination programmes being the ones that come to mind in relation to the pandemic. Looking beyond that - Chinese policy towards Hong Kong, US-China relations, Russia's ongoing cyber meddling, Brexit (still), UK Government debt of 98% of GDP, Europe's double dip recession, potentially rising inflation.....

The benefit of being a long term investor like the Fund is that it has the capacity to ride out market shocks, and it has an investment strategy that does not seek to put all of its eggs in one basket. As a new member of the Fund's Investment Sub Committee, it has been heartening to come on board to find things in very good shape. The outgoing Pensions Committee, Investment Sub Committee, previous Independent Investment Advisor and Officers should be thanked for doing a good job in difficult times. I look forward to contributing to the on-going good stewardship of the Fund.

David Crum ASIP, May 2021

Actuarial Information

Northamptonshire Pension Fund (“the Fund”) Actuarial Statement for 2020-21

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 2020. 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 at least a 70% 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 2019. This valuation revealed that the Fund’s assets, which at 31 March 2019 were valued at £2,502 million, were sufficient to meet 93% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £176 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 2020 to 31 March 2022 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 2019 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.

Actuarial Information (continued)

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 2019 valuation were as follows:

Financial assumptions	31 March 2019
Discount rate	3.9%
Salary increase assumption	2.8%
Benefit increase assumption (CPI)	2.3%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's Vita Curves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.5 years	23.7 years
Future Pensioners*	22.3 years	25.1 years

*Aged 45 at the 2019 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2019

Markets were severely disrupted by COVID 19 in March 2020, but in the 2020-21 year they recovered strongly. As a result, the funding level of the Fund as at 31 March 2021 is likely to be an improvement to that reported at the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022. The Funding Strategy Statement will also be reviewed at that time.



Robert McInroy FFA

6 May 2021

For and on behalf of Hymans Robertson LLP

Actuarial Information (continued)

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 2019. The results are presented in this report and are briefly summarized below.

Funding Position

The table below summarizes the financial position of the Fund at 31 March 2019 in respect of benefits earned by members up to this date (along with a comparison at the last formal valuation at 31 March 2016).

Valuation Date	31 March 2016 (£m)	31 March 2019 (£m)
Past Service Liabilities	2,388	2,679
Market Value of Assets	1,871	2,502
Surplus/(Deficit)	(517)	(176)
Funding Level	78%	93%

The improvement in funding position between 2016 and 2019 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 expect.

Contribution Rates

The table below summarizes 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 capitalization of future contributions), calculated in accordance with the Regulations and CIPFA guidance.

The Primary rate also includes an allowance of 0.8% of pensionable pay for the Fund’s expenses. The average employee contribution rate is 6.3% of pensionable pay.

The minimum contributions to be paid by each employer from 1 April 2020 to 31 March 2023 are shown in the Rates and Adjustment Certificate.

Primary Rate (% of pay)	Secondary Rate (£)		
	2020-21	2021-22	2022-23
1 April 20 – 31 March 23	£20,339,000	£20,463,000	£20,696,000



Robert McInroy FFA



Douglas Green FFA

31 March 2020

For and on behalf of Hymans Robertson LLP

Audit Opinion

Audit Opinion

Fund Account

31-Mar-20 £000	Notes	31-Mar-21 £000
Dealings with members, employers and others directly involved in the fund:		
-112,663	Contributions	-116,311
-8,184	Transfers in from other pension funds	-7,759
-120,847		-124,070
94,415	Benefits	96,190
6,765	Payments to and on account of leavers	8,958
101,180		105,148
-19,667	Net (additions)/withdrawals from dealing with members	-18,922
11,976	Management expenses	14,008
-7,691	Net (additions)/withdrawals including fund management expenses	-4,914
Returns on investments:		
-41,123	Investment income	-23,433
230	Taxes on income	14
150,600	(Profit) and losses on disposal of investments and changes in the value of investments	-670,914
109,707	Net return on investments	-694,333
102,016	Net (increase)/decrease in the net assets available for benefits during the year	-699,247
-2,506,259	Opening net assets of the scheme	-2,404,243
-2,404,243	Closing net assets of the scheme	-3,103,490

Notes on [pages 46 to 76](#) form part of the financial statements.

Net Asset Statement

31-Mar-20		31-Mar-21
£000	Notes	£000
2,393,414	Investment assets	3,091,885
-618	Investment liabilities	-390
2,392,796	Total net investments	3,091,495
	Note 14	
19,121	Current assets	17,977
-7,674	Current liabilities	-5,982
11,447	Net current assets	11,995
	Note 22	
2,404,243	Closing net assets of the scheme	3,103,490
	Note 17a	

Notes on pages 46 to 76 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 Pension Fund Accounts

1. DESCRIPTION OF THE FUND

The Northamptonshire County Council Pension Fund is part of the Local Government Pension Scheme (LGPS) 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 2020-21 on pages 1 to 41 and the underlying statutory powers underpinning the scheme.

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 Amendments) Regulations 2014 (as amended);
- the LGPS (Management and Investment of Funds) Regulations 2016.

The Fund 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, 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.

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 - local authorities and similar bodies whose staff are automatically entitled to be members of the Fund;
- Admitted bodies - 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.

- Resolution/Designated bodies – These are organisations that can admit their employees to the LGPS by passing their resolution (nominate employees for access to the LGPS) Parish/Town Council are under this category.

As at 31 March 2021 there are 314 (2020: 366) active employers within the Northamptonshire Pension Fund, including the County Council itself.

	31-Mar-20	31-Mar-21
Number of employers with active members	366	314

The Fund has over 73,000 individual members, as detailed below:

Number of employees in scheme:	31-Mar-20	31-Mar-21
County council	8,120	8,067
Other employers	13,804	15,801
Total	21,924	23,868

Number of pensioners:	31-Mar-20	31-Mar-21
County council	8,811	8,918
Other employers	7,892	8,128
Total	16,703	17,046

Deferred pensioners:	31-Mar-20	31-Mar-21
County council	14,059	14,228
Other employers	9,165	9,733
Total	23,224	23,961

Undecided leavers:	31-Mar-20	31-Mar-21
County council	3,456	3,570
Other employers	4,484	4,633
Total	7,940	8,203

Total members	69,791	73,078
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Notes to the Pension Fund Accounts (continued)

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 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2021. Employers' contributions are set as part of the triennial actuarial funding valuation. The last such valuation was at 31 March 2019. Employers' contributions comprise a percentage rate on active payroll between 1.8% and 35% and deficit payments of fixed cash amounts set for each employer as part of the triennial funding valuation.

Benefits

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

	Service pre 1 April 2008	Service 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.

Career Average Revalued Earnings (CARE)

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based upon their pensionable pay in that year at an accrual rate of 1/49th or 1/98th for those members who have taken up the 50/50 option and pay proportionately lower contributions. Accrued pension is updated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the scheme including early retirement, ill health pensions and death benefits. For more details, please refer to the Full Guide which can be found in the member section on the Pension's Fund website. [Member - Pension Details](#)

2. BASIS OF PREPARATION

The statement of accounts summarises the fund's transactions for the 2020-21 financial year and its financial position at 31 March 2021. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2020-21* (the Code), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts have been prepared on a going concern basis. Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. IFRS 16, introduced on 1 January 2019, is due to be adopted by the Code for accounting periods commencing on or after 1 April 2022. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This will bring assets formerly off-Balance Sheet onto the Balance Sheet of lessees. Implementation of IFRS 16 is not expected to have a material impact on the pension fund because it does not hold any assets as a lessee.

Notes to the Pension Fund Accounts (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – Revenue Recognition

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 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 the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

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 and are calculated in accordance with the Local Government Pension Scheme Regulations (see Notes 8 and 10). Individual transfers in/out are accounted for on a cash basis. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see page 75) to purchase scheme benefits are accounted for on an accruals 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. There have been no group transfers in during 2019-20 and 2020-21.

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 Asset 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 Asset 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 expense and comprise all realised and unrealised profits/losses during the year.

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 Asset Statement at fair value.

Notes to the Pension Fund Accounts (continued)

Fund Account – Expense Items

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 Asset Statement as current liabilities and paid in the following month.

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.

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).

Administrative Expenses

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

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 in accordance with Council policy.

Investment Management Expenses

Investment Management expenses are accounted for on an accruals basis.

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

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 2020-21, £0.1m of fees are based upon such estimates (2019-20: £ 0.4m). In addition, manager fees deducted from pooled funds of £9.3m (2019-20: £5.7m) are estimated based upon information received from fund managers.

The cost of obtaining investment advice from external consultants is charged direct to the Fund. All staff costs associated with investment activity are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged to the Fund.

Notes to the Pension Fund Accounts (continued)

Net Asset Statement

Financial Assets

Financial assets are included in the Net Asset Statement on a fair value basis, except for assets held at amortised cost.

Assets held at amortised cost includes contributions owing from employers and cash deposits. These are initially recognised at fair value and subsequently measured at amortised cost. A financial asset is recognised in the Net Asset Statement on the date the Fund becomes party to the contractual acquisition of the asset.

Investment assets, other than cash held by Investment Managers on the Fund's behalf, are initially recognised at fair value and are subsequently measured at fair value with gains and losses recognised in the Fund Account. The values of investments as shown in the Net Asset 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).

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.

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).

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.

Financial Liabilities

The Fund initially recognises financial liabilities at fair value and subsequently measures them at amortised cost. A financial liability is recognised in the Net Asset Statement on the date the Fund becomes party to the liability.

Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a annual basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Asset Statement (see Note 20).

Notes to the Pension Fund Accounts (continued)

Additional Voluntary Contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund's AVC providers are Prudential and Standard Life as its AVC providers. AVCs are deducted from the individual member's pay and 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 (see Note 23).

Contingent Assets and Liabilities

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.

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.

Contingent assets and liabilities are not recognised in the Net Asset 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 appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

The estimated liability is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 19.

Actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant Investment Management policies, for example in terms of the balance struck between longer term investment growth and short-term 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 Financial Statements as 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- **Actuarial Present Value of Promised Retirement Benefits Uncertainties:** Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the 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 actuary has included the McCloud judgement within their calculation shown in note 20.
- **Effect if Actual Results Differ from Assumptions:** The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £478m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £33m, and a 1 year increase in assumed life expectancy would increase the liability by approximately 3-5%.

Notes to the Pension Fund Accounts (continued)

- **Private Equity**

Uncertainties: 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.

Effect if Actual Results Differ from Assumptions: The total private equity investments in the financial statements are £309.8m. There is a risk that this investment may be under or overstated in the accounts.

6. EVENTS AFTER THE BALANCE SHEET DATE

On 1st April 2021 the Administering Authority of the Pension Fund changed from Northamptonshire County Council to West Northamptonshire Council. There were no substantial impacts on the administration of the Fund. The services, operations and investments activities of the Fund continue to operate as business as usual.

7. CONTRIBUTIONS RECEIVABLE

By category:

31-Mar-20		31-Mar-21
£000		£000
22,121	Employees' contributions	23,431
Employers' contributions:		
65,520	Normal contributions	71,463
25,022	Deficit recovery contributions	21,417
90,542	Total employers' contributions	92,880
112,663		116,311

By authority:

31-Mar-20		31-Mar-21
£000		£000
33,411	Administering authority	32,642
72,349	Scheduled bodies	80,402
6,903	Admitted bodies	3,267
112,663		116,311

8. TRANSFERS IN FROM OTHER PENSION FUNDS

31-Mar-20		31-Mar-21
£000		£000
8,184	Individual transfers	7,759
8,184		7,759

Notes to the Pension Fund Accounts (continued)

9. BENEFITS PAYABLE

By category:

31-Mar-20	31-Mar-21
£000	£000
77,701 Pensions	80,572
13,203 Commutation and lump sum retirement benefits	12,452
3,511 Lump sum death benefits	3,166
94,415	96,190

By authority:

31-Mar-20	31-Mar-21
£000	£000
41,281 Administering authority	41,593
47,160 Scheduled bodies	47,872
5,974 Admitted bodies	6,725
94,415	96,190

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

31-Mar-20	31-Mar-21
£000	£000
186 Refunds to members leaving service	1,120
6,579 Individual transfers	7,838
6,765	8,958

11. MANAGEMENT EXPENSES

31-Mar-20	31-Mar-21
£000	£000
1,967 Administrative costs	2,372
9,014 Investment management expenses	10,928
995 Oversight and governance costs	708
11,976	14,008

Notes to the Pension Fund Accounts (continued)

12. INVESTMENT MANAGEMENT EXPENSES

2020/21	Management Fees £000	Performance Related Fees £000	Transaction Costs £000	Other Costs £000	Total £000
Equities	356	0	320	0	676
Pooled investments	5,254	0	14	312	5,580
Pooled property investments	258	0	239	15	512
Private equity/infrastructure	1,802	1,539	0	819	4,160
Total	7,670	1,539	573	1,146	10,928

2019/20	Management Fees £000	Performance Related Fees £000	Transaction Costs £000	Other Costs £000	Total £000
Equities	1,663	0	716	0	2,379
Pooled investments	3,007	542	0	220	3,769
Pooled property investments	131	0	616	329	1,076
Private equity/infrastructure	618	789	0	352	1,759
Custody	0	0	0	31	31
Total	5,418	1,331	1,333	932	9,014

13. INVESTMENT INCOME

31-Mar-20 £000	31-Mar-21 £000
20,540 Income from equities	3,060
7,880 Pooled investments – unit trusts and other managed funds	8,448
10,439 Pooled property investments	7,430
1,949 Private equity/infrastructure income	4,462
207 Interest on cash deposits	9
108 Other – securities lending income	24
41,123	23,433

Notes to the Pension Fund Accounts (continued)

31-Mar-20 £000	31-Mar-21 £000	
Investment assets		
160,255	Equities	17
1,821,314	Pooled investments	2,544,031
192,662	Pooled property investments	185,516
192,596	Private equity/infrastructure	309,824
Derivative contracts:		
24	• Forward currency contracts	0
23,975	Cash deposits	51,483
1,284	Investment income due	484
1,303	Amounts receivable for sales	530
1	Amounts receivable for pending spot FX	0
2,393,414	Total investment assets	3,091,885
Investment liabilities		
-618	Amounts payable for purchases	-390
-618	Total investment liabilities	-390
2,392,796	Net investment assets	3,091,495

Notes to the Pension Fund Accounts (continued)

14(a). RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

	Market value 01-Apr-20	Purchases during the year and derivative payments ¹	Sales during the year and derivative receipts ¹	Change in market value during the year	Market value 31-Mar-21
	£000	£000	£000	£000	£000
Equities	160,255	67,660	-270,351	42,453	17
Pooled investments	1,821,314	602,413	-473,600	593,904	2,544,031
Pooled property investments	192,662	9,432	-11,878	-4,700	185,516
Private equity/infrastructure	192,596	94,908	-17,066	39,386	309,824
	2,366,827	774,413	-772,895	671,043	3,039,388
Derivative contracts:					
• Forward currency contracts	24	26	-58	8	0
	2,366,851	774,439	-772,953	671,051	3,039,388
Other investment balances:					
• Cash deposits	23,975				51,483
• Amount receivable for sales	1,303				530
• Investment income due	1,284				484
• Spot FX contracts	1				0
• Amounts payable for purchases of investments	-618				-390
Net investment assets	2,392,796				3,091,495

¹Equity sales and Pooled Investments purchases include an in-specie transfer of £209.6m into the ACCESS pool.

Notes to the Pension Fund Accounts (continued)

14(a). RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES (CONTINUED)

	Market value 01-Apr-19	Purchases during the year and derivative payments ¹	Sales during the year and derivative receipts ¹	Change in market value during the year	Market value 31-Mar-20
	£000	£000	£000	£000	£000
Equities	901,836	356,422	-1,008,905	-89,098	160,255
Pooled investments	1,281,981	661,489	-67,321	-54,835	1,821,314
Pooled property investments	197,117	20,583	-10,090	-14,948	192,662
Private equity/infrastructure	62,296	136,070	-13,744	7,974	192,596
	2,443,230	1,174,564	-1,100,060	-150,907	2,366,827
Derivative contracts:					
• Forward currency contracts	-5	312	-368	85	24
	2,443,225	1,174,876	-1,100,428	-150,822	2,366,851
Other investment balances*:					
• Cash deposits	41,726			51	23,975
• Amount receivable for sales	1,429			-9	1,303
• Investment income due	4,539			0	1,284
• Spot FX contracts	0			169	1
• Amounts payable for purchases of investments	-1,925			11	-618
Net investment assets*	2,488,994			-150,600	2,392,796

- Other investment balances and Net investment assets do not add across as purchases, sales and other movements are not disclosed here (£19.8m), in accordance with CIPFA guidance.

¹Equity sales and Pooled Investments purchases include an in-specie transfer of £404.8m into the ACCESS pool.

Notes to the Pension Fund Accounts (continued)

14(b). INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31-Mar-20		Market value 31-Mar-21	
£000	% of net investment assets	£000	% of net investment assets
Investments managed under Pooled Governance:			
896,916	38	1,287,000	42
733,306	31	970,953	31
1,630,222	68	2,257,953	73
Investments managed outside Pooled Governance:			
19,523	1	43,979	1
17,136	1	20,105	1
35,162	2	38,077	1
0	0	143,083	5
330	0	511	0
193,621	8	195,098	6
8,517	0	9,416	0
29,380	1	68,860	2
46,719	2	48,136	2
0	0	45,644	1
44,347	2	186,853	6
179,320	8	0	0
253	0	17	0
177,901	7	0	0
10,365	0	33,763	1
762,574	32	833,542	27
2,392,796	100	3,091,495	100

- All the above companies are registered in the United Kingdom.

Notes to the Pension Fund Accounts (continued)

The following investments represent more than 5% of the Net Asset Statement of the scheme as at 31st March 2021.

Security	31-Mar-20	% of total fund	31-Mar-21	% of total fund
	£000	%	£000	%
LF ACCESS UK Equity - Majedie	0	0	278,300	9
LF ACCESS Baillie Gifford Diversified Growth Fund	260,167	9	214,354	7
UBS Asset Management Life Over 5 Year Index Linked Gilts	129,127	4	311,751	10
UBS Asset Management Life Over 15 Year Index Linked Gilts	130,543	4	0	0
LF ACCESS Global Equity - Newton Investment Management	207,943	7	284,105	9
LF ACCESS Baillie Gifford Long Term Global Growth Fund	244,764	8	259,523	8
LF ACCESS Longview Global Equity	184,042	6	250,718	8
	<u>1,156,586</u>		<u>1,598,751</u>	

14(d). STOCK LENDING

The Fund's Investment Strategy sets the parameters for the Fund's stock-lending programme. At 31 March 2021, the value of quoted equities on loan was nil (31 March 2020: £35.1m). The Fund held fewer assets available for lending at 31 March 2021, as the Fund has transitioned its segregated holdings into pooled funds in the ACCESS pool.

Notes to the Pension Fund Accounts (continued)

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.

• Futures

There were no outstanding exchange traded future contracts at 31 March 2021 or 31 March 2020.

• Options

There were no outstanding option contracts at 31 March 2021 or 31 March 2020.

• Forward foreign currency

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 £000		Currency £000	£000	£000
One to six months	GBP	50	EUR	-59	0	0
					0	0
Total					0	0
Net forward currency contracts at 31 March 2021						0
Prior year comparative						
Open forward currency contracts at 31 March 2020					24	
Net forward currency contracts at 31 March 2020						24

Notes to the Pension Fund Accounts (continued)

16. FAIR VALUE

Valuation of Financial Instruments Carried at Fair Value

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. The Fund has adopted the classification guidelines recommended in the Practical Guidelines on Investment Disclosures (PRAG/Investment Association, 2016).

- 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. The price used is based upon inputs from observable market data.
- 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 values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which the Northamptonshire Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines 2015, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

16(a). FAIR VALUE HIERARCHY

The following tables provides an analysis of the financial assets at fair value through profit and loss of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable:

Values at March 2021	Level 1	Level 2	Level 3	Total	Values at March 2020	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	£000	£000	£000	£000	Financial assets at fair value through profit and loss	£000	£000	£000	£000
Equities	17	0	0	17	Equities	160,255	0	0	160,255
Pooled investments	657	2,543,374	0	2,544,031	Pooled investments	233,951	1,587,363	0	1,821,314
Pooled property investments	0	58,366	127,150	185,516	Pooled property investments	22,187	67,797	102,678	192,662
Private equity/infrastructure	0	0	309,824	309,824	Private equity/infrastructure	0	0	192,596	192,596
					Derivatives	24	0	0	24
Net investment assets	674	2,601,740	436,974	3,039,388	Net investment assets	416,417	1,655,160	295,274	2,366,851

There has been no change in the valuation techniques used for individual investments during the year.

Notes to the Pension Fund Accounts (continued)

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

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 account period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities 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
Pooled investments – not exchange traded open ended funds	Level 2	Closing bid and offer prices are published. Closing single price where a single price is published	NAV based pricing set on a forward pricing basis.	Not required
Pooled investments – not exchange traded closed ended funds	Level 3	Closing bid and offer prices are published. Closing single price where a single price is published	NAV based pricing set on a forward pricing basis.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date and lack of liquidity.
Private equity and infrastructure- equity	Level 3	Comparable valuation of similar companies	Price/Earnings or EBITDA multiple	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date.
Private equity and infrastructure - other	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	Share of net assets	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, and by any differences between audited and unaudited accounts.

Notes to the Pension Fund Accounts (continued)

Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with Independent Investment Advisors, the Fund has determined that the valuation methods described above are likely to be accurate within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2021.

Asset Type	Market Value as at 31-Mar-21 £000	Assessed valuation range (+/-)	Value on Increase £000	Value on Decrease £000
Venture capital	309,824	21.2%	375,507	244,141
Property funds	127,150	14.2%	145,205	109,095
Total Assets	436,974		520,712	353,236

16(b). RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

Period 2020-21	Market value 01- Apr-20 £000	Transfers in/out of Level 3 £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 31-Mar-21 £000
Venture capital	192,596	0	94,908	-17,066	36,654	2,732	309,824
Property funds	102,678	34,495	4,365	-11,879	-2,456	-53	127,150
Total	295,274	34,495	99,273	-28,945	34,198	2,679	436,974

Reclassification of Pooled property investments from Level 2 to Level 3 in agreement with the fair value techniques for property.

Notes to the Pension Fund Accounts (continued)

17. FINANCIAL INSTRUMENTS

17(a). CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial assets and liabilities by category and Net Asset Statement heading. No financial assets were reclassified during the year.

31-Mar-20			31-Mar-21		
Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
£000	£000	£000	£000	£000	£000
Financial assets					
160,225	0	0	17	0	0
1,821,314	0	0	2,544,031	0	0
192,662	0	0	185,516	0	0
192,596	0	0	309,824	0	0
24	0	0	0	0	0
0	32,475	0	0	60,645	0
0	2,588	0	0	1,014	0
0	10,621	0	0	8,815	0
2,366,821	45,684	0	3,039,388	70,474	0
Financial liabilities					
0	0	0	0	0	0
0	0	-618	0	0	-390
0	0	-7,674	0	0	-5,982
0	0	-8,292	0	0	-6,372
2,366,821	45,684	-8,292	3,039,388	70,474	-6,372
2,404,213 Total					3,103,490

Notes to the Pension Fund Accounts (continued)

17(b). NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

31-Mar-20		31-Mar-21
£000		£000
	Financial assets:	
-150,907	Fair value through profit and loss	671,043
180	Loans and receivables	2
	Financial liabilities:	
85	Fair Value through profit and loss	8
42	Amortised cost – realised losses on de-recognition of assets	-140
-150,600	Total gains/(losses)	670,913

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 Fund manages these investment risks as part of its overall Pension Fund Risk Management Programme.

[Risk Strategy Statement](#)

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 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 Advisors 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 levels
- 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.

Notes to the Pension Fund Accounts (continued)

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.

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

Other Price Risk – Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year in consultation with the Fund's investment Advisors, the Council has determined that the following movements in market price risk would have reasonably been possible for the 2020-21 reporting period. The potential price changes disclosed above are broadly consistent with one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment Advisors most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset Type	Potential Market Movement +/- (%p.a.)
UK equities	17%
Global pooled equities	17%
Index linked bonds	8%
Multi asset credit	6%
Diversified growth	12%
Property	14%
Alternatives	21%
Cash and other investment balances	0%

Notes to the Pension Fund Accounts (continued)

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:

31-Mar-21	Value as at	% (rounded)	Value on	Value on
Asset Type	31-Mar-21	Change	Increase	Decrease
	£000		£000	£000
UK equities	302,821	16.7	353,392	252,250
Global pooled equities	1,429,038	17.4	1,677,691	1,180,385
Index linked bonds	311,751	7.5	335,132	288,370
Multi asset credit	285,427	6.2	303,123	267,731
Diversified growth	214,354	11.9	239,862	188,846
Property	185,516	14.2	211,859	159,173
Alternatives	309,824	21.2	375,507	244,141
Cash and other investment balances	52,764	0.3	52,922	52,606
Total Assets	3,091,495		3,549,488	2,633,501

31-Mar-20	Value as at	% (rounded)	Value on	Value on
Asset Type	31-Mar-20	Change	Increase	Decrease
	£000		£000	£000
UK equities	171,603	27.5	218,794	124,412
Overseas equities	18,779	28.0	24,037	13,521
Global pooled equities	1,351,379	28.0	1,729,765	972,993
Index linked bonds	259,670	5.8	274,731	244,609
Pooled fixed interest bonds	177,901	9.8	195,335	160,467
Property	192,662	14.2	220,020	165,304
Alternatives	192,596	20.1	231,308	153,884
Cash and other investment balances	28,206	0.3	28,291	28,121
Total Assets	2,392,796		2,922,281	1,863,311

Notes to the Pension Fund Accounts (continued)

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 2021 and 31 March 2020 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 value of the net assets available to pay benefits. An 80 basis point (BPS) (i.e. 0.80%) 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 consultant 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 BPS (1.0%) change in interest rates:

31-Mar-20 Asset Type	31-Mar-21
£000	£000
23,975 Cash and cash equivalents	51,483
8,500 Cash balances	9,162
259,670 Index-linked securities	311,751
177,901 Fixed interest securities	285,714
470,046 Total	658,110

Exposure to interest rate risk	Asset values at	Impact of 1%	Impact of 1%
	31-Mar-21	decrease	increase
	£000	£000	£000
Cash and cash equivalents	51,483	51,483	51,483
Cash balances	9,162	9,162	9,162
Index-linked securities	311,751	314,869	308,633
Fixed interest securities	285,714	288,571	282,857
Total change in assets available	658,110	664,085	652,135

Exposure to interest rate risk	Asset values at	Impact of 1%	Impact of 1%
	31-Mar-20	decrease	increase
	£000	£000	£000
Cash and cash equivalents	23,975	23,975	23,975
Cash balances	8,500	8,500	8,500
Index-linked securities	259,670	262,267	257,073
Fixed interest securities	177,901	179,680	176,122
Total change in assets available	470,046	474,422	465,670

Notes to the Pension Fund Accounts (continued)

Exposure to interest rate risk	Interest receivable 2020-21 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash deposits, cash and cash equivalents	9	9	9
Fixed interest securities	531	536	526
Total	540	545	535

Exposure to interest rate risk	Interest receivable 2019-20 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash deposits, cash and cash equivalents	207	209	205
Fixed interest securities	2,684	2,711	2,657
Total	2,891	2,920	2,862

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 Investment Sub Committee and its Investment Advisors in accordance with the Fund's Risk Management Strategy, including monitoring the range of exposure to currency fluctuations.

The Fund has partially hedged the currency exposures on its equity investments by transferring into currency hedged share classes of its passive equity funds.

Notes to the Pension Fund Accounts (continued)

Currency Risk – Sensitivity Analysis

Following analysis of historical data with the Fund’s Advisors, the Council considers the likely volatility associated with foreign exchange rate movements to be 9.8% (the 1 year expected standard deviation).

A 9.8% (31 March 2020: 10.0%) fluctuation in the currency is considered reasonable based on the Fund Advisors 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 9.8% strengthening/weakening of the pound against the various currencies in which the fund holds investments would decrease/increase the net assets available to pay benefits as follows.

Assets exposed to currency risk	Value at	Potential	Value on	Value on
	31-Mar-21	market	increase	decrease
	£000	movement	£000	£000
Overseas equities - hedged	249,314	0	249,314	249,314
Overseas equities - unhedged	1,394,078	136,620	1,530,698	1,257,458
Overseas fixed income	285,427	27,972	313,399	257,455
Overseas cash fund	657	64	721	593
Total	1,929,476	164,656	2,094,132	1,764,820

Assets exposed to currency risk	Value at	Potential	Value on	Value on
	31-Mar-20	market	increase	decrease
	£000	movement	£000	£000
Overseas equities - hedged	240,460	0	240,460	240,460
Overseas equities - unhedged	1,129,698	112,970	1,242,668	1,016,728
Overseas fixed income	177,901	17,790	195,691	160,111
Overseas cash fund	2,237	224	2,461	2,013
Total	1,550,296	130,984	1,681,280	1,419,312

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.

Notes to the Pension Fund Accounts (continued)

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognized rating agency, Standard & Poor's. 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 2021 was £60.6m (31 March 2020: £32.5m). This was held with the following institutions:-

	Rating	31-Mar-20 £000	31-Mar-21 £000
Money market funds			
Northern Trust Global Investors Global Cash Fund	AAAm	23,306	37,167
UK Treasury Bills			
Bank deposit account			
Barclays Bank	A	8,500	9,162
Bank current accounts			
Northern Trust custody accounts	A-1+	669	14,316
Total		32,475	60,645

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 2021 the value of illiquid assets was £495.3m, which represented 16.0% of the total Fund assets (31 March 2020: £385.3m, which represented 16.1% of the total Fund assets).

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund Investment Strategy. All financial liabilities at 31 March 2021 are due within one year.

d) Refinancing Risk

A key risk for a Pension Fund is that it may 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.

Notes to the Pension Fund Accounts (continued)

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 2019. The next valuation will take place as at 31 March 2022.

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;
- 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 2019 actuarial valuation, the Fund was assessed as 93% funded (78% at the March 2016 valuation). This corresponded to a deficit of £176m (2016 valuation: £517m) 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 summarizes the whole fund Primary and Secondary Contribution rates at the 2019 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		
1 April 2020 to 31 March 2023: 19%	2020-21: £20,339,000	2021-22: £20,463,000	2022-23: £20,696,000

The Primary rate above includes an allowance of 0.8% 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 2019 actuarial valuation report and the funding strategy statement on the Fund's website.

Notes to the Pension Fund Accounts (continued)

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	31-Mar-16	31-Mar-19
Price Inflation (CPI)/ Pension increases	2.1%	2.3%
Pay increases - 2016	2.4%*	2.8%**

*CPI plus 0.3%

**2% until 31 March 2020 followed by CPI plus 0.5% thereafter

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	Active and Deferred Members	Current Pensioners	Current Pensioners
	Male	Female	Male	Female
2016 valuation	23.9	26.1	22.1	24.2
2019 valuation	22.3	25.1	21.5	29.7

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 dependents.

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) **Retirements in normal health** - We have adopted the retirement age pattern assumption as used for the purpose of the 2016 LGPS cost cap valuation.
- d) **Death in Service** - Allowance has been made for death in service.
- e) **Promotional salary increases** - Allowance has been made for promotional salary increases.
- f) **Family details** - A varying proportion of members are assumed to have a dependant at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. The dependant of a male member is assumed to be 3 years younger than him and the dependant of a female member is assumed to be 3 years older than her.
- g) **Commutation** - 50% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits for service to 1 April 2008 (equivalent 75% for service from 1 April 2008).
- h) **50:50 option** - 1.0% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option.

Notes to the Pension Fund Accounts (continued)

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-Mar-20		31-Mar-21
£m		£m
(3,436)	Present value of promised retirement benefits	(4,572)
2,404	Fair value of scheme assets (bid value)	3,103
(1,032)	Net liability	(1,469)

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2019 triennial funding valuation (see note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Assumptions Used

31-Mar-20	Assumption	31-Mar-21
% p.a.		% p.a.
1.90	Inflation/pension increase rate assumption	2.85
2.40	Salary increase rate	3.35
2.30	Discount rate	2.00

Notes to the Pension Fund Accounts (continued)

21. CURRENT ASSETS

31-Mar-20	31-Mar-21
£000	£000
Debtors:	
1,619 Contributions due – members	1,754
5,704 Contributions due – employers	6,033
3,298 Other debtors	1,028
10,621	8,815
Cash balances	
8,500	9,162
8,500	9,162
19,121	17,977

22. CURRENT LIABILITIES

31-Mar-20	31-Mar-21
£000	£000
1,672 Benefits payable	967
6,002 Other creditor	5,015
7,674	5,982

23. ADDITIONAL VOLUNTARY CONTRIBUTIONS

31-Mar-20	31-Mar-21
£000	£000
4,880 Prudential	5,094
705 Standard Life	642
5,585	5,736

Total contributions of £51k (2019-20: £17k) were paid directly to Standard Life during the year. The prudential figure for 2021 is an estimate due to delay in statements not being received from the provider.

24. AGENCY SERVICES

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.

31-Mar-20	31-Mar-21
£000	£000
2,570 Unfunded pensions	2,208
2,570	2,208

Notes to the Pension Fund Accounts (continued)

25. RELATED PARTIES TRANSACTIONS

Northamptonshire County Council

The Northamptonshire County Council Pension Fund is administered by Northamptonshire County Council. Consequently, there is a strong relationship between the Council and the Fund. The Council incurred costs of £1.6m (2019-20: £2.0m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.

The Council is also the single largest employer of members of the Pension Fund and contributed £25.9m of employer's contributions to the Fund in 2019-20 (2019-20: £26.9m). At 31 March 2021 there was £263k due to the Fund by the Council (31 March 2020: £681k was due to the Fund by the Council).

Governance

The following Pensions Committee members declared a personal interest due to either being a member of the scheme themselves or having a family member in the scheme:

Councillor Richard Micklewright

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

25 (a). KEY MANAGEMENT PERSONNEL

The administration of the Fund is provided by Northamptonshire County Council in partnership with Cambridgeshire County Council. The Head of Pensions reports directly to Assistant Director of Finance at Northamptonshire County Council, whose costs are reported in the Northamptonshire County Council statement of accounts. Other key personnel include the Section 151 Officer, who is Treasurer to the Fund, and the Head of HR. The Assistant Director of Finance, the Section 151 Officer and the Head of HR are remunerated for their services to the organisation as a whole and it is not possible to identify within the overhead charge from the proportion of costs relating to these services to the Fund.

26. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments at 31 March 2021 totalled £186.6m (31 March 2020: £196.9m).

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

Eight 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.

Glossary

ACCRUAL An amount to cover income or spending that belongs to the accounting year, which was outstanding at the accounting date.

ACTUARY An independent company which advises on the assets and liabilities of the Fund with the aim to ensure that the payment of pensions and future benefits are met.

ACS Authorised Contractual Scheme.

ADMITTED BODIES Voluntary and charitable bodies whose staff can become members of the Local Government Pension Scheme subject to certain terms and conditions and other organisations to whom Local Government employees have been transferred under the outsourcing of Local Government services.

AJC ACCESS Join Governance Committee

AUM Assets Under Management

BENEFICIAL OWNER The true owner of a security regardless of the name in which it is registered.

BID PRICE The price at which securities are purchased by market makers.

BOND Security issued by a corporate or government body borrowing in the capital markets. Bonds promise to pay interest (coupons) during the life of the bond plus the principal sum borrowed on the redemption date. Bonds may be secured over assets of the firm or be unsecured.

CASH EQUIVALENTS Assets which are readily convertible into cash.

CIPFA Chartered Institute of Public Finance and Accountancy

COMMUTATION Giving up part or all of the pension payable from retirement in exchange for an immediate lump sum. Commutation factors (usually calculated by the Fund Actuary) are used to determine the amount of pension which needs to be given up in order to provide the lump sum.

CONTINGENT ASSETS AND LIABILITIES Are assets and liabilities that may or may not be incurred depending on the outcome of a future event.

CONVERTIBLE Unsecured loan stock (bond) which converts into equity of the issuing company. The UK Government also issues convertible gilts which convert into other government stock.

COUPON The regular payment made on bonds.

CTI Cost Transparency Initiative

CURRENT ASSETS Short-term assets such as inventories, receivables and bank balances.

CURRENT LIABILITIES Amounts owed which are due to be settled in less than one year, such as bank overdrafts and money owed to suppliers.

CUSTODIAN An external body responsible for ensuring Fund assets are registered in the name of the Fund, managing the settlement of trades entered into by the Fund, collecting income arising on Fund assets and reporting transactions and values to the Fund on a regular basis.

DEFERRED PENSION BENEFIT A pension benefit which a member has accrued but is not yet entitled to receive.

DEFICIT An outcome as a result of taking away all expenses from income. Additionally, the Fund is in deficit when the liabilities are larger than assets.

DERIVATIVE A financial instrument derived from a security, currency or commodity, or an index indicator representing any of these, the price of which will move in a direct relationship to the price of the underlying instrument. Derivatives can be used for a number of purposes - including insuring against price movements (hedging), increasing exposure to price movements for speculation or getting access to otherwise hard to trade assets or markets.

Glossary (continued)

DIVIDEND The distribution of profits by a company to its shareholders. The dividend may be passed or cut if profits fall. [See also Equities]

EQUITIES Shares representing the capital of a company issued to shareholders usually with voting rights on the way the company runs the business. Equity holders rank last in the event of the winding up of a company.

FINANCIAL INSTRUMENTS Contracts which give rise to a financial asset of one entity and a financial liability or equity instrument of another.

FINANCIAL CONDUCT AUTHORITY (FCA) The lead UK regulator. A designated agency which is not a government department.

FIXED INTEREST CORPORATE BOND A certificate of debt issued by a company or institution in return for a fixed rate interest with a promise of redemption to repay the original sum.

FTSE-100 INDEX The main UK index used to represent the approximate price movements of the top 100 shares.

FTSE All Share Index Summarises the state of the UK equity market. It covers some 900 of the major UK industrial, commercial and financial companies.

FUTURES Instruments which give a buyer the right to purchase a commodity at a future date.

GMP Guaranteed Minimum Pension

HEDGE To protect a fund from a fall in prices. This is usually accomplished by the selling of futures.

IAS International Accounting Standards

IAS19 outlines the accounting requirements for employee benefits, including short-term benefits, post-employment benefits such as retirement benefits, other long-term benefits and termination benefits.

IDRP Internal Dispute Resolution Procedures

INDEX LINKED Stock whose value is related directly to an index, usually the Retail Price Index and therefore provides a hedge against inflation.

INTEREST YIELD The annual coupon on a bond divided by the price of a bond which is quoted without accrued interest.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) Accounting Standards, Interpretations and the Framework adopted by the International Accounting Standards Board (IASB).

ISC Investments Sub-Committee

LOAN STOCK Unsecured bonds, which may be convertible if they have a warrant attached.

LPB Local Pension Board.

OFFER PRICE The price at which market makers will sell stock.

ORDINARY SHARES 'A' Shares which confer full voting and dividend rights to the Owner.

PENSION STRAIN Charges to employers to cover discretionary early retirement costs, which are the responsibility of the employer, recovered in the first year of retirement in full.

PC Pensions Committee.

Glossary (continued)

PLSA Pensions and Lifetime Savings Association.

PORTFOLIO A collection of investments. This can refer to the investments managed by a particular Investment Manager, or to describe the whole Fund's investments.

RAG Red, Amber and Green

RELATED PARTY A person or an organisation which has influence over another person or organisation.

SAB Scheme Advisory Board

SCHEDULED BODIES Local Authorities and similar bodies whose staff are entitled automatically to become members of the local Authority Pension Fund.

STOCK Shares (e.g. Common stock). However, UK Gilts are more correctly described as stock.

SURPLUS An outcome as a result of taking away all expenses from income. Additionally, the Fund is in surplus when the assets are larger than liabilities.

TRANSFER VALUES Sums which are paid either to or received from other pension schemes and relate to new and former members' periods of pensionable employment with employers participating in the scheme.

TREASURY MANAGEMENT A process which plans, organises and controls cash, investments and borrowings so as to optimise interest and currency flows, and minimise the cost of funds.

UNFUNDED Pension benefits not funded by the Pension Fund. Benefits are fully reclaimed from the employer bodies.

UNIT TRUST An open-ended trust investing in a wide spread of stocks, shares and cash (subject to FSA limits). Investors buy units directly from the Investment manager to participate in a diversified portfolio. Unit trusts are subject to FSA investment and borrowing regulations.