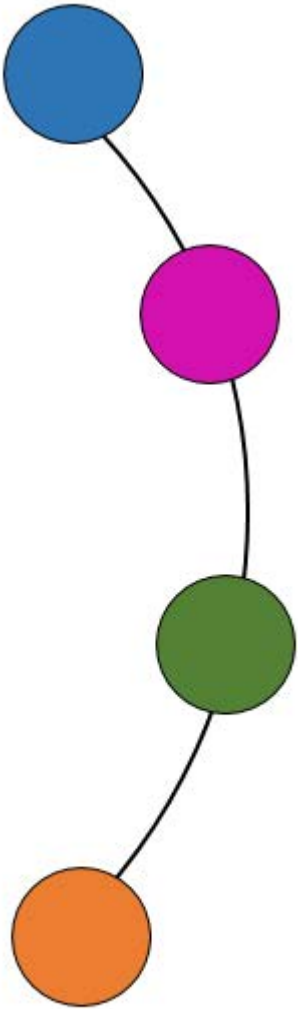




# **Northamptonshire County Council Pension Fund Annual Report and Statement of Accounts Year Ended 31 March 2020**

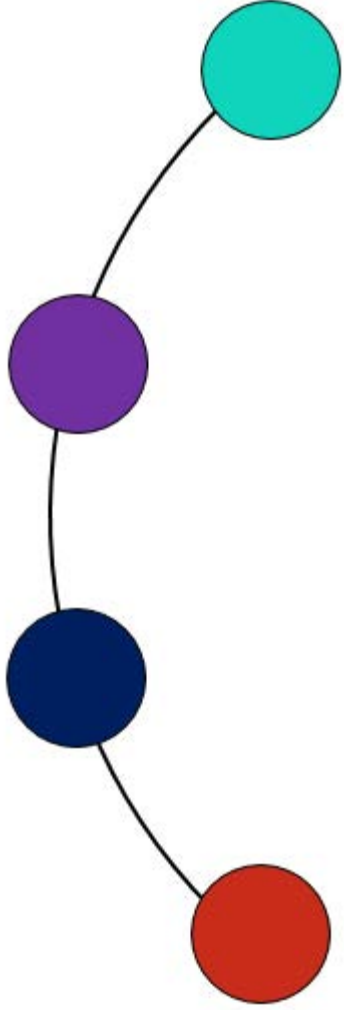


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# Chairman's Foreword

It gives me great pleasure to introduce the Northamptonshire Pension Fund Annual Report and Statement of Accounts for 2019-20. It has been another busy year for the Fund with many highlights and continual evolution and improvement of service standards.

The key stakeholders are our scheme members; over 69,000 active, pensioner and deferred members of the scheme who rely on us to look after their valuable pension rights. We have taken steps to improve each scheme member's experience by introducing improved communication, performance reporting and data flows from scheme employers. An annual Customer Service Excellence accreditation review enables us to gauge our progress.

The transition to monthly data provision by scheme employers as opposed to at year-end, has been a key focus for us this year. 91% of employers now provide us with a monthly return which increases data quality and our ability to administer the Fund in an efficient manner.


At 31 March 2020 the Fund was valued at £2.40bn, a decrease of £102m from the March 2019 valuation of £2.51bn. The Fund returned -4.7% for the financial year ending March 2020, slightly underperforming the Fund's benchmark of -4.5%, mainly reflecting the situation brought about by the COVID-19 pandemic in the last quarter.

Fund performance was assisted by recent changes to the Fund's strategic asset allocation. The Fund has steadily increased allocations to longer duration investments such as private equity and infrastructure, whilst reducing the dependency on listed equities. This has provided greater diversification across asset classes as well as reducing our exposure to equity risk.

Development of the ACCESS asset pool has continued at a steady pace and generated significant value for money benefits for all participants. The Fund has 68% of its assets pooled, a figure that will rise considerably over the coming years.

We've also been working hard throughout the year to complete the latest valuation of the Fund and set employer contribution rates. Engagement with employers throughout the process has been excellent and has culminated in the publication of a revised Funding Strategy Statement.

I would like to thank Pension 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 for the hard work that they have carried out during the year and especially in these difficulty and troubling circumstances arising from the COVID-19 pandemic



Councillor Malcolm Longley

Chairman of the Northamptonshire Pensions Committee.

Dated: 30-11-2021

# 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 2019-20.

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

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the 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.

## 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 2020 and of its income and expenditure for the year 2019-20, and authorise the accounts for issue.



Mr M Henry

Chief Finance Officer  
(Section 151 Officer)  
Dated: 23/11/2021

# Scheme Management, Advisors and Partners

## Partners



[ACCESS \(Pension Pool\)](#)



[Barclays \(Bank\)](#)



[Ernst & Young \(Auditors\)](#)



[Hymans Robertson \(Actuary\)](#)



[LGSS Law \(Legal Advisors\)](#)



[Mercer \(Investment Consultants\)](#)



[Northern Trust \(Custodian\)](#)



[Squire Patton Boggs \(Legal Advisors\)](#)

Mark Stevens (Investment Advisor)

## Asset Managers



[Adams Street Partners](#)



[Allianz Global Investors](#)



[AMP Capital](#)



[Baillie Gifford & Co](#)



[Catapult](#)



[CBRE Global](#)



[HarbourVest Partners \(UK\)](#)



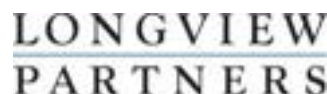
[IFM Investors](#)



[JP Morgan](#)



[Link Fund Solutions \(ACCESS\)](#)



[Longview Partners](#)



[M&G Residential](#)



[Majedie Asset Management](#)



[Newton](#)



[UBS Asset Management](#)



[Wellington Management](#)

AVC Providers



# 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**

Investment and Fund Accounting Manager, LGSS

Email: [bbarlow@northamptonshire.gov.uk](mailto:bbarlow@northamptonshire.gov.uk)

Telephone: 07917 197467



Enquiries relating to management and administration should be directed to:

### **Mark Whitby**

Head of Pensions, LGSS

Email: [mwhitby@northamptonshire.gov.uk](mailto:mwhitby@northamptonshire.gov.uk)

Telephone: 07990 556197



**Registered Pension Scheme Number: 10038487**

# Scheme Administration

## Introduction

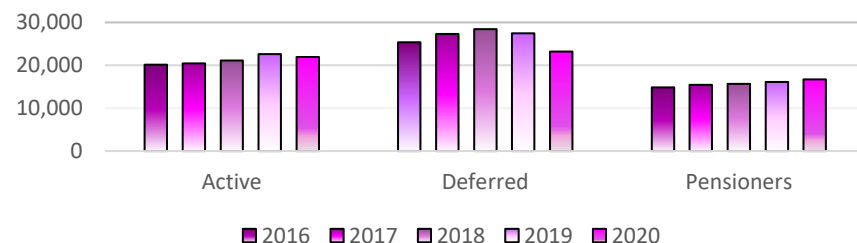
Northamptonshire County Council is responsible for administering the Northamptonshire Pension Fund, which is available to employees of the County Council, organisations with a statutory right to be in the scheme (scheduled bodies) and organizations, such as charities, which the County Council has admitted under its discretionary powers (admitted bodies).

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 5.1% from the previous year.

On 31 March 2020 there were 21,924 active, 31,164 deferred and 16,703 pensioner members in the Fund. The deferred figure is inclusive of 7,940 open cases that may change status (undecided leavers).



## Pension Fund Administration

LGSS, a partnership between Cambridgeshire County Council, Northamptonshire County Council and Milton Keynes Council, provides pension administration services to the Northamptonshire Pension Fund.

There are 72 staff members (68.89 full time equivalent) within the LGSS Pensions Team, providing all aspects of service to both the Cambridgeshire and Northamptonshire Funds, with an average staff to pension member ratio of 1:2,258.

Internal audit perform risk based audit procedures to assess the effectiveness and efficiency of administration services, and the LGSS 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.

## Scheme Administration Tools

The LGSS 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 LGSS 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

## 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. 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.

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.



# Scheme Administration (Continued)

The below table compares the 2008 and the 2014 schemes.

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

# Scheme Administration (Continued)

## Pension Committee and 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 2019-20, training undertaken in year, including; including; Training days, Conferences and Strategic Workshops.

| Councillor/Member Name                               | Committee/Board          | Meetings Attended | Training Undertaken |
|--|--------------------------|-------------------|---------------------|
| Councillor Jonathon Ekins - Chairman                 | Pensions Committee       | 4/4*              | 12 Sessions         |
|  | Investment Sub-Committee | 3/4**             |                     |
| Councillor Bill Parker – Vice Chairman               | Pensions Committee       | 4/4*              | 8 Sessions          |
|  | Investment Sub-Committee | 4/5               |                     |
| Councillor Bob Scott                                 | Pensions Committee       | 4/4*              | 11 Sessions         |
|  | Investment Sub-Committee | 5/5               |                     |
| Councillor Malcolm Waters (May 2019)                 | Pensions Committee       | 4/4*              | 7 Sessions          |
|  | Investment Sub-Committee | 2/4**             |                     |
| Peter Borley-Cox                                     | Pensions Committee       | 2/4*              | 6 Sessions          |
|  | Investment Sub-Committee | 5/5               |                     |
| Damian Pickard                                       | Pensions Committee       | 3/4*              | 10 Sessions         |
|  | Investment Sub-Committee | 4/5               |                     |
| Robert Austin  | Pensions Committee       | 4/4*              | 9 Sessions          |
|  | Investment Sub-Committee | 4/5               |                     |
| Andy Langford (Substitute)                           | Pensions Committee       | 3/4*              | 8 Sessions          |
|  | Investment Sub-Committee | 1/5               |                     |
| Councillor Stephen Legg                              | Pensions Committee       | 4/4*              | 6 Sessions          |
| Councillor Annabel De Capell Brooke (September 2019) | Pensions Committee       | 1/2*              | 2 Sessions          |
| Councillor Anjona Roy (May 2019)                     | Pensions Committee       | 2/4*              | 2 Sessions          |
| Councillor Richard Lewis                             | Pensions Committee       | 2/4*              | 4 Sessions          |
| Councillor Richard Micklewright                      | Pensions Committee       | 2/4*              | 4 Sessions          |
| Janet Blunden  | Pensions Committee       | 2/4*              | 5 Sessions          |
| Paul Evans – Chairman                                | Local Pension Board      | 3/4               | 10 Sessions         |
| Councillor Allan Matthews – Vice Chairman            | Local Pension Board      | 3/4               | 7 Sessions          |
| Martin Hammond                                       | Local Pension Board      | 4/4               | 7 Sessions          |
| Kevin Standishday                                    | Local Pension Board      | 3/4               | 11 Sessions         |
| Julie Petrie   | Local Pension Board      | 2/4               | 11 Sessions         |

\*The meeting to be held on 27<sup>th</sup> March 2020 was cancelled

\*\*Was not a member for the first meeting of the year

# 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 2018-19

Anti-Fraud and Corruption Policy

Funding Strategy

Cash Management Strategy

Communications Strategy

Governance Policy and Compliance Statement

Investment Strategy Statement

Overpayment of Pension Policy

Payment of Pension Contributions Policy

Reporting Breaches of the Law to the Pensions Regulator Policy

Risk Register

Risk Strategy

## Statement/Policy Changes in 2019-20

The **Digital Communication Strategy** has been introduced during 2019-20 -

- To provide detail on the commitment outlined in the Communication Strategy regarding the use of technology to enhance the services of LGSS Pensions.
- To provide information about how the Fund will use digital communication technologies to meet the communication objectives.

The **Anti-Fraud and Corruption Policy** was reviewed during 2019-20 resulting in the following changes –

- The inclusion of the Fund's Mortality and Address screening activity to prevent fraud.
- The inclusion of how the Fund will contact overseas pensioners to reduce the likelihood of fraud.

The **Risk Register** was reviewed during 2019-20 resulting in the following changes –

- A risk was added to address climate change.
- The register has been reviewed and updated during the course of the year to ensure it remains fit for purpose.

# Management and Financial Performance

## The Team

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

- **Operations** – maintain member records, calculate benefits and pensions payable.

Contact: [Pensions@northamptonshire.gov.uk](mailto:Pensions@northamptonshire.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.

Contact: [PenEmployers@northamptonshire.gov.uk](mailto:PenEmployers@northamptonshire.gov.uk)

- **Systems** – ensure internal systems are operating efficiently and provide support to maintaining accurate member records.

Contact: [PenSystems@northamptonshire.gov.uk](mailto:PenSystems@northamptonshire.gov.uk)

- **Investments** – oversee the governance of Fund assets and support the Investment Sub-Committee.

Contact: [LGSS-Pen-Investments@northamptonshire.gov.uk](mailto:LGSS-Pen-Investments@northamptonshire.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.

Contact: [Pensions@northamptonshire.gov.uk](mailto:Pensions@northamptonshire.gov.uk)

- **Transactions** – record and reconcile contributions paid into the Fund and accounts for fund expenses.

Contact: [PenContributions@northamptonshire.gov.uk](mailto:PenContributions@northamptonshire.gov.uk)

## Complaints

Should you have a complaint about the service, we will do our best to put things right. To access support, please contact

[Pensions@northamptonshire.gov.uk](mailto:Pensions@northamptonshire.gov.uk), telephone 01604 366537, or write to:

LGSS Pensions – 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 LGSS [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 at [Pensions Ombudsman](#).

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

| Nature of dispute                          | Stage 1                       | Stage 2          |
|--|-------------------------------|------------------|
| Delay in issuing pension savings statement | Not upheld (in 2018/19)       | Partially upheld |
| Recovery of overpayment of pension         | Partially upheld (in 2018/19) | Not upheld       |
| Delay in issuing pension savings statement | Partially upheld (in 2018/19) | Not upheld       |
| Recovery of overpayment of pension         | Partially upheld              |                  |
| Recovery of overpayment of pension         | Upheld                        |                  |
| Trivial commutation eligibility            | In progress                   |                  |

*Note: increase in number of overpayment recovery disputes due to project to reconcile pensions administration to pensioner payroll system in 2018/19.*



# Management and Financial Performance

## 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 and Vice 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

## Risk Management

Northamptonshire County Council, the Administering Authority to 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. The Northamptonshire Pension Fund uses a matrix criteria for assessing the impact and likelihood of a risk to enable effective decision making.

Risks recorded in the Risk Register are 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.

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 shareholders. Internal audit awarded the Fund substantial assurance following its testing within the year.

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 are required to provide ISAE 3402 (Service Organization Control Reports) which are made available to external audit. This is inclusive for Link Fund Solutions who are the Operator of the ACCESS pool

# 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   | 2019-20<br>Forecast<br>£000 | 2019-20 Actual<br>£000 |
|--|-----------------------------|------------------------|
| Contributions  | (107,000)                   | (112,663)              |
| Transfers in from other funds  | (4,800)                     | (8,184)                |
| <b>Total Income</b>  | <b>(111,800)</b>            | <b>(120,847)</b>       |
| Benefits payable   | 83,400                      | 94,415                 |
| Payments to and for leavers  | 7,000                       | 6,765                  |
| <b>Total Benefits</b>  | <b>90,400</b>               | <b>101,180</b>         |
| <b>Surplus of contributions over benefits</b>                        | <b>(21,400)</b>             | <b>(19,667)</b>        |
| Management Expenses:   |                             |                        |
| Administration expenses  | 2,450                       | 1,967                  |
| Investment management expenses                                       | 5,600                       | 9,014                  |
| Oversight and governance expenses                                    | 550                         | 995                    |
| <b>Total Management Expenses</b>                                     | <b>8,600</b>                | <b>11,976</b>          |
| <b>Total Income less Expenses</b>                                    | <b>(12,800)</b>             | <b>(7,691)</b>         |
| Investment Income  | (35,700)                    | (41,123)               |
| Taxes on Income  | -                           | 230                    |
| Profit/(loss) on disposal and changes in market value of investments | (61,700)                    | 150,600                |
| <b>Net return on investments</b>                                     | <b>(97,400)</b>             | <b>109,707</b>         |
| <b>Net increase/(decrease) in assets during the year</b>             | <b>(110,200)</b>            | <b>102,016</b>         |

Management expenses per active member are shown below:

|                                | 2017-18 | 2018-19 | 2019-20 |
|--------------------------------|---------|---------|---------|
| Active members                 | 21,134  | 22,634  | 25,049  |
| Administrative cost            | £86.92  | £109.61 | £78.89  |
| Investment Management expenses | £297.58 | £304.41 | £359.85 |
| Oversight and Governance costs | £17.03  | £32.21  | £39.72  |

## Variance Analysis

- Investment Management expenses forecast is understated as this does not include pooled fees deducted from market value.
- Oversight and Governance costs include consultancy and legal fees previously classified in Investment Management expenses.
- The 2019-20 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 38.
- 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<br>the year | Cases completed<br>within KPI target |
|---|--------------------------------|--------------------------------------|
| <b>Deaths</b> – initial letter acknowledging death of member<br><i>KPI: 5 working days, Legal requirement: 2 months</i>                     | 533                            | 533                                  |
| <b>Deaths</b> – letter notifying amount of dependant’s pension<br><i>KPI: 5 working days, Legal requirement: 2 months</i>                   | 270                            | 267                                  |
| <b>Estimates</b> – letter notifying estimate of retirement benefits to employee<br><i>KPI: 15 working days, Legal requirement: 2 months</i> | 784                            | 753                                  |
| <b>Retirements</b> – process and pay pension benefits on time<br><i>KPI: 5 working days, Legal requirement: 2 months</i>                    | 355                            | 313                                  |
| <b>Deferment</b> – calculate and notify deferred benefits<br><i>KPI: 15 working days, Legal requirement: N/A</i>                            | 1717                           | 1554                                 |
| <b>Transfers in</b> – Letter detailing transfer) in (actual)<br><i>KPI: 10 working days, Legal requirement: 2 months</i>                    | 144                            | 135                                  |
| <b>Transfers out</b> – letter detailing transfer out (quote)<br><i>KPI: 10 working days, Legal requirement: 3 months</i>                    | 458                            | 446                                  |



# 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<br>in 2019-20<br>£000 | Total Paid<br>On Time<br>£000 | % Paid<br>On<br>Time | Total Paid<br>Late<br>£000 | % Paid<br>Late |
|---------------|----------------------------------|-------------------------------|----------------------|----------------------------|----------------|
| Employer      | 90,542                           | 90,166                        | 99%                  | 376                        | 1%             |
| Employee      | 22,121                           | 22,015                        | 99%                  | 106                        | 1%             |
| <b>Total</b>  | <b>112,663</b>                   | <b>112,181</b>                | <b>99%</b>           | <b>482</b>                 | <b>1%</b>      |

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 <sup>1</sup> | £70,637,037 |
| Total write off amount                | £89,650     |
| Write offs amount as % of payroll     | 0.13%       |

<sup>1</sup>Excludes 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<br>progress | Written Off |
|----------------------|-------------|--------------------------|-------------|
| 2015-16              | £28,593     | £8,782                   | £12,539     |
| 2016-17              | £55,519     | £21,033                  | £14,542     |
| 2017-18              | £74,764     | £55,518                  | £17,518     |
| 2018-19 <sup>2</sup> | £516,269    | £379,396                 | £136,873    |
| 2019-20              | £136,830    | £47,180                  | £89,650     |

<sup>2</sup>Overpayments 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 in 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 2020

| Type Of Body       | Number of Active Employers |
|--------------------|----------------------------|
| Administering (AA) | 1                          |
| Scheduled (S)*     | 277                        |
| Admitted (Ad)      | 55                         |
| <b>Total</b>       | <b>333</b>                 |

\*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 2020. The breakdown of contributions by employer shown in the table below will show a different number of employers, 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 2019-20, or contribution receipts recorded within the period.

| Employer                                    | Employee Contributions<br>£ | Employer Contributions<br>£ | Grand Total<br>£ | Ceased | Body |
|---|-----------------------------|-----------------------------|------------------|--------|------|
| Abbey CofE Acad (Daventry)                  | 8,839                       | 30,263                      | 39,102           |        | S    |
| Abbeyfield School (Academy)                 | 41,314                      | 145,192                     | 186,506          |        | S    |
| Abington Vale Primary (Academy)             | 26,634                      | 104,387                     | 131,021          |        | S    |
| ABM Catering (Duston Eldean Primary School) | 375                         | 1,746                       | 2,121            |        | Ad   |
| ABM Catering (Lyncrest Primary)             | 354                         | 1,608                       | 1,962            |        | Ad   |
| ABM Catering Limited (Innovate MAT)         | 1,592                       | 6,998                       | 8,589            |        | Ad   |
| ABM Catering Limited - 2016 PDET            | 9,224                       | 41,235                      | 50,460           |        | Ad   |
| ABM Catering Limited (2018 PDET)            | 1,215                       | 5,356                       | 6,572            |        | Ad   |
| ABM Catering Limited (Magdalen)             | 542                         | 2,129                       | 2,672            |        | Ad   |
| ABM Catering Limited (Montsaye Academy)     | 2,245                       | 7,506                       | 9,752            |        | Ad   |

| Employer                                    | Employee Contributions<br>£ | Employer Contributions<br>£ | Grand Total<br>£ | Ceased | Body |
|---|-----------------------------|-----------------------------|------------------|--------|------|
| ABM Catering Limited (Upton Meadow)         | 438                         | 1,958                       | 2,395            |        | Ad   |
| ABM Catering Limited 2015 PDET              | 644                         | 2,880                       | 3,524            |        | Ad   |
| Action for Children (NCC)                   | 395                         | 1,769                       | 2,164            |        | Ad   |
| Age Concern Northamptonshire                | -                           | 101,000                     | 101,000          | Y      | Ad   |
| Alfred Street Junior School                 | 10,029                      | 44,965                      | 54,994           |        | S*   |
| All Saints CofE VA Primary School           | 18,404                      | 85,119                      | 103,523          |        | S*   |
| Amey Ltd                                    | 15,734                      | 61,868                      | 77,601           |        | Ad   |
| Ashby Fields Primary School                 | 22,194                      | 83,657                      | 105,851          |        | S    |
| Aspens - DSLV Academy (Dantre & Southbrook) | 2,061                       | 10,329                      | 12,390           |        | Ad   |
| Badby Primary Academy                       | 11,652                      | 34,330                      | 45,981           |        | S    |
| Balfour Beatty-St Lighting                  | 6,373                       | 14,886                      | 21,259           |        | Ad   |

# Management and Financial Performance (Continued)

| Employer                          | Employee Contributions<br>£ | Employer Contributions<br>£ | Grand Total<br>£ | Ceased | Body |
|-----------------------------------|-----------------------------|-----------------------------|------------------|--------|------|
| Barby & Olney Parish Council      | 737                         | 3,793                       | 4,530            |        | S    |
| Barby Academy                     | 6,219                       | 23,117                      | 29,336           |        | S    |
| Barry Road Primary                | 27,969                      | 121,628                     | 149,597          |        | S*   |
| Beanfield Primary (Academy)       | 47,869                      | 160,602                     | 208,472          |        | S    |
| Billing Brook Academy             | 82,420                      | 265,408                     | 347,828          |        | S    |
| Bishop Stopford Academy           | 59,215                      | 213,364                     | 272,579          |        | S    |
| Blackthorn Primary (Academy)      | 21,247                      | 81,339                      | 102,585          |        | S    |
| Blakesley CE Primary              | 4,441                       | 20,094                      | 24,535           |        | S    |
| Boddington C of E Primary Academy | 3,315                       | 12,838                      | 16,153           |        | S    |
| Boothville Primary School (NCC)   | 36,788                      | 175,791                     | 212,579          |        | S*   |
| Boughton Primary Academy          | 9,690                       | 29,159                      | 38,849           |        | S    |
| Bozeat Community Primary Academy  | 8,876                       | 38,028                      | 46,905           |        | S    |
| Bracken Leas Academy              | 20,049                      | 85,792                      | 105,841          |        | S    |
| Brackley Town Council             | 18,285                      | 79,091                      | 97,376           |        | S    |
| Brambleside Primary School        | 18,255                      | 64,262                      | 82,517           |        | S    |
| Braunston Academy                 | 7,297                       | 29,194                      | 36,490           |        | S    |
| Briar Hill Primary Academy        | 15,513                      | 58,634                      | 74,147           |        | S    |
| Bridgewater Primary School        | 40,827                      | 186,045                     | 226,872          |        | S*   |

| Employer   | Employee Contributions<br>£ | Employer Contributions<br>£ | Grand Total<br>£ | Ceased | Body |
|--|-----------------------------|-----------------------------|------------------|--------|------|
| Brightr Cleaning Facilities (Denfield Park Primary School) | 827                         | 3,701                       | 4,529            |        | Ad   |
| Brightr Ltd  | 299                         | 1,120                       | 1,419            |        | Ad   |
| Brington Primary school                                    | 6,289                       | 27,727                      | 34,016           |        | S*   |
| Brixworth CEVC Primary Sch. (NCC)                          | 24,952                      | 111,839                     | 136,791          |        | S*   |
| Brixworth Parish Council                                   | 1,562                       | 7,422                       | 8,984            |        | S    |
| Brooke Weston Academy                                      | 152,181                     | 284,986                     | 437,167          |        | S    |
| Broughton Primary School (NCC)                             | 12,012                      | 54,341                      | 66,353           |        | S*   |
| Bugbrooke Comm Primary Sch. (NCC)                          | 15,207                      | 69,572                      | 84,780           |        | S*   |
| Byfield Academy  | 5,384                       | 19,161                      | 24,545           |        | S    |
| Campion Academy  | 67,534                      | 240,333                     | 307,868          |        | S    |
| Caroline Chisholm (Academy)                                | 73,828                      | 211,820                     | 285,648          |        | S    |
| Castle Primary Academy                                     | 28,113                      | 89,072                      | 117,185          |        | S    |
| Caterlink Ltd (The Grange Academy)                         | 482                         | 2,063                       | 2,545            |        | Ad   |
| Cedar Road Primary (Academy)                               | 13,238                      | 50,541                      | 63,779           |        | S    |
| Chacombe CEVA Primary Academy                              | 6,011                       | 23,501                      | 29,512           |        | S    |
| Chacombe Primary School                                    | -                           | 1,436                       | 1,436            | Y      | S*   |
| Change-Grow-Live   | 2,235                       | 8,803                       | 11,039           |        | Ad   |
| Chenderit School (Academy)                                 | 35,268                      | 123,764                     | 159,031          |        | S    |

# Management and Financial Performance (Continued)

| Employer  | Employee Contributions<br>£ | Employer Contributions<br>£ | Grand Total<br>£ | Ceased | Body |
|---|-----------------------------|-----------------------------|------------------|--------|------|
| Chipping Warden Primary Academy   | 4,481                       | 18,089                      | 22,571           |        | S    |
| Churchill Contract Services (Campion)   | 1,608                       | 9,889                       | 11,497           |        | Ad   |
| CleanTec Services (Northampton Academy)                                       | 348                         | 1,201                       | 1,548            |        | Ad   |
| Clipston Primary School (NCC)   | 5,400                       | 24,681                      | 30,081           |        | S*   |
| Clubs for Young People  | 1,087                       | 6,673                       | 7,760            |        | Ad   |
| Collingtree C of E Primary School   | 5,610                       | 18,807                      | 24,417           |        | S    |
| Compass (The Abbey Primary School & Standens Barn Primary School)             | 2,298                       | 10,051                      | 12,349           |        | Ad   |
| Compass Contract Services (All Saints CEVA Primay School and Nursery)         | 1,466                       | 6,286                       | 7,752            | Y      | Ad   |
| Compass Contract Services (Collingtree CofE Primary)                          | 1,210                       | 5,158                       | 6,368            | Y      | Ad   |
| Compass Contract Services (The Good Shepherd Catholic Primary School Academy) | 1,129                       | 5,049                       | 6,178            | Y      | Ad   |
| Complementary Education (Academy)   | 49,660                      | 176,098                     | 225,758          |        | S    |
| Consortium Audit (Warks)  | 2,904                       | 7,511                       | 10,415           |        | Ad   |

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| Employer                              | Employee Contributions<br>£ | Employer Contributions<br>£ | Grand Total<br>£ | Ceased | Body |
|---------------------------------------|-----------------------------|-----------------------------|------------------|--------|------|
| Corby Borough Council                 | 634,436                     | 3,222,234                   | 3,856,671        |        | S    |
| Corby Business Academy                | 67,959                      | 188,633                     | 256,591          |        | S    |
| Corby Old Village Sch (NCC)           | 11,685                      | 54,869                      | 66,554           |        | S*   |
| Corby Primary Academy                 | 20,724                      | 55,230                      | 75,954           |        | S    |
| Corby Technical School                | 32,027                      | 98,897                      | 130,924          |        | S    |
| Cottingham CofE Primary Academy       | 5,071                       | 19,733                      | 24,803           |        | S    |
| Cranford CoE Academy                  | 5,096                       | 16,513                      | 21,609           |        | S    |
| Croughton All Saints CE Primary (NCC) | 6,465                       | 28,824                      | 35,289           |        | S*   |
| Croyland Nursery (NCC)                | 29,725                      | 125,654                     | 155,380          |        | S*   |
| Croyland Pri (Well'boro) (NCC)        | 41,494                      | 188,319                     | 229,814          |        | S*   |
| CSN Resourcing Ltd                    | 55,751                      | 226,636                     | 282,387          |        | S    |
| Culworth C of E Primary Academy       | 5,311                       | 22,500                      | 27,811           |        | S    |
| Danesholme Infants Academy            | 13,604                      | 53,598                      | 67,202           |        | S    |
| Danesholme Junior Academy             | 13,569                      | 58,907                      | 72,477           |        | S    |
| Danetre & Southbrook Learning Village | 38,313                      | 133,163                     | 171,476          |        | S    |
| Daventry District Council             | 434,315                     | 2,100,447                   | 2,534,762        |        | S    |
| Daventry Hill School                  | 45,970                      | 135,506                     | 181,475          |        | S    |
| Daventry Norse Limited                | 42,217                      | 191,346                     | 233,563          |        | Ad   |
| Daventry UTC                          | -                           | 322,355                     | 322,355          | Y      | S    |
| Deanshanger Parish Council            | 1,254                       | 6,240                       | 7,494            |        | S    |



# Management and Financial Performance (Continued)

| Employer   | Employee Contributions<br>£ | Employer Contributions<br>£ | Grand Total<br>£ | Ceased | Body |
|--|-----------------------------|-----------------------------|------------------|--------|------|
| Deanshanger Primary  | 18,826                      | 85,460                      | 104,286          |        | S    |
| Delapre Primary School   | 31,942                      | 144,689                     | 176,632          |        | S*   |
| Denfield Park Primary (NCC)                                      | 28,584                      | 129,944                     | 158,527          |        | S*   |
| Denton Primary School  | 10,464                      | 47,309                      | 57,772           |        | S    |
| Desborough Town Council  | 2,215                       | 9,556                       | 11,771           |        | S    |
| Duston Eldean Primary  | 20,533                      | 94,429                      | 114,962          |        | S*   |
| Duston Parish Council  | 11,364                      | 50,120                      | 61,484           |        | S    |
| Earls Barton Parish Council                                      | 1,289                       | 6,289                       | 7,578            |        | S    |
| East Hunsbury Parish Council                                     | 3,381                       | 18,891                      | 22,272           |        | S    |
| East Hunsbury Primary Academy                                    | 25,928                      | 101,619                     | 127,547          |        | S    |
| East Midlands Leadership Centre                                  | 822                         | 2,766                       | 3,589            | Y      | Ad   |
| East Northamptonshire District Council                           | 360,130                     | 1,750,871                   | 2,111,001        |        | S    |
| Eastfield Academy  | 14,128                      | 38,569                      | 52,697           |        | S    |
| Easy Clean Contractors Limited (St Thomas More Catholic Primary) | 110                         | 460                         | 570              |        | Ad   |
| Easy Clean Contractors Ltd (St Brendan Pri)                      | 406                         | 1,867                       | 2,273            |        | Ad   |
| Ecton Brook Primary (Academy)                                    | 73,442                      | 143,532                     | 216,974          |        | S    |
| Ecton Village Academy  | 4,671                       | 20,618                      | 25,289           |        | S    |

| Employer   | Employee Contributions<br>£ | Employer Contributions<br>£ | Grand Total<br>£ | Ceased | Body |
|--|-----------------------------|-----------------------------|------------------|--------|------|
| Education Fellowship HQ                            | -                           | 102,300                     | 102,300          |        | S    |
| Elizabeth Woodville Academy                        | 54,883                      | 213,860                     | 268,743          |        | S    |
| emPSN Services Ltd                                 | 19,710                      | 61,506                      | 81,216           |        | Ad   |
| Energy Kidz Limited (Old Stratford Primary School) | 265                         | 1,140                       | 1,405            | Y      | Ad   |
| Exeter - a learning community                      | 38,520                      | 124,522                     | 163,042          |        | S    |
| Fairfields Special (NCC)                           | 60,863                      | 276,208                     | 337,071          |        | S*   |
| Falconers Hill Academy                             | 12,207                      | 46,101                      | 58,308           |        | S    |
| Falconers Hill Infant School                       | 14,392                      | 50,586                      | 64,978           |        | S    |
| Farthinghoe Primary School                         | 2,551                       | 8,997                       | 11,547           |        | S    |
| Finedon Infants School                             | 7,936                       | 30,995                      | 38,931           |        | S    |
| Finedon Mulso CEVA Junior School                   | 9,549                       | 37,010                      | 46,559           |        | S    |
| Finedon Town Council                               | 3,328                       | 5,595                       | 8,923            |        | S    |
| Freemans Endowed Church of England Junior School   | 12,869                      | 44,364                      | 57,233           |        | S    |
| Fresh Start Catering Limited                       | 575                         | 2,539                       | 3,115            |        | Ad   |
| Friars Academy                                     | 36,658                      | 135,335                     | 171,993          |        | S    |
| Futures Housing Group                              | 26,350                      | 252,342                     | 278,692          |        | Ad   |
| G4S  | 30,304                      | 94,352                      | 124,656          |        | Ad   |
| Gateway School (NCC)                               | 27,338                      | 119,391                     | 146,729          |        | S*   |

# Management and Financial Performance (Continued)

| Employer   | Employee Contributions<br>£ | Employer Contributions<br>£ | Grand Total<br>£ | Ceased | Body |
|--|-----------------------------|-----------------------------|------------------|--------|------|
| Glapthorn Church of England Primary School       | 1,453                       | 6,762                       | 8,215            |        | S*   |
| Grange Community Sch Acad (Kettering)            | 18,202                      | 73,921                      | 92,123           |        | S    |
| Grange Park Parish Council                       | 1,678                       | 6,491                       | 8,169            |        | S    |
| Great Addington CEVA Academy                     | 4,549                       | 17,659                      | 22,207           |        | S    |
| Greatwell Homes                                  | 27,299                      | -                           | 27,299           |        | Ad   |
| Green Oaks Academy                               | 12,072                      | 41,892                      | 53,964           |        | S    |
| Greenfields Primary School and Nursery           | 22,760                      | 81,763                      | 104,523          |        | S    |
| Greenfields Sch & Sports College                 | 56,811                      | 201,905                     | 258,717          |        | S    |
| Greens Norton Primary School                     | 8,410                       | 32,268                      | 40,678           |        | S    |
| Gretton Primary (Academy)                        | 6,084                       | 23,757                      | 29,841           |        | S    |
| GSO Limited (Prince William and Stimpson Avenue) | 503                         | 2,249                       | 2,751            |        | Ad   |
| Guilsborough CEVA Primary School                 | 8,249                       | 29,551                      | 37,800           |        | S    |
| Guilsborough School (Academy)                    | 55,186                      | 172,463                     | 227,649          |        | S    |
| Hall Meadow Primary Academy                      | 15,703                      | 58,168                      | 73,871           |        | S    |
| Hardingstone Academy                             | 11,892                      | 43,751                      | 55,643           |        | S    |

| Employer                            | Employee Contributions<br>£ | Employer Contributions<br>£ | Grand Total<br>£ | Ceased | Body |
|-------------------------------------|-----------------------------|-----------------------------|------------------|--------|------|
| Harlestone Primary School (NCC)     | 4,413                       | 20,542                      | 24,956           |        | S*   |
| Hartwell Primary (Academy)          | 9,211                       | 29,737                      | 38,949           |        | S    |
| Havelock Infants                    | 16,351                      | 61,713                      | 78,064           |        | S    |
| Havelock Junior                     | 16,363                      | 63,367                      | 79,730           |        | S    |
| Hawthorn Community Primary          | 11,912                      | 48,012                      | 59,924           |        | S    |
| Hazel Leys Primary & Nursery School | 15,810                      | 64,757                      | 80,566           |        | S    |
| Headlands Primary (Academy)         | 41,628                      | 164,667                     | 206,295          |        | S    |
| Henry Chichele Primary School (NCC) | 16,066                      | 74,073                      | 90,139           |        | S*   |
| Higham Ferrers Junior School (NCC)  | 16,487                      | 74,273                      | 90,759           |        | S*   |
| Higham Ferrers Nur & Inf sch (NCC)  | 14,260                      | 64,431                      | 78,691           |        | S*   |
| Higham Ferrers Town Council         | 3,100                       | 12,902                      | 16,002           |        | S    |
| Highfield Nursery (NCC)             | 10,732                      | 47,059                      | 57,792           |        | S*   |
| Hopping Hill Primary (NCC)          | 24,163                      | 108,443                     | 132,606          |        | S*   |
| Hospital and Outreach Education PRU | 16,108                      | 66,042                      | 82,150           |        | S    |
| Hunsbury Park Primary               | 21,670                      | 99,891                      | 121,561          |        | S*   |
| Huxlow Science Academy              | 45,418                      | 165,774                     | 211,192          |        | S    |
| IDVerde                             | 50,116                      | 236,124                     | 286,240          |        | Ad   |

# Management and Financial Performance (Continued)

| Employer  | Employee Contributions<br>£ | Employer Contributions<br>£ | Grand Total<br>£ | Ceased | Body |
|---|-----------------------------|-----------------------------|------------------|--------|------|
| Irchester Primary                                     | 22,241                      | 90,822                      | 113,063          |        | S    |
| Irthlingborough Junior School                         | 24,204                      | 92,712                      | 116,916          |        | S    |
| Irthlingborough Nursery & Infants School              | 16,153                      | 62,794                      | 78,947           |        | S    |
| Irthlingborough Town Council                          | 7,913                       | 35,962                      | 43,874           |        | S    |
| Isebrook College Academy                              | 76,252                      | 252,915                     | 329,168          |        | S    |
| Isham CE Primary Academy                              | 6,417                       | 27,398                      | 33,815           |        | S    |
| Islip Parish Council                                  | -                           | 2,500                       | 2,500            | Y      | S    |
| Just Ask Estate Services Limited                      | 7,115                       | 34,263                      | 41,378           |        | Ad   |
| Kettering Borough Council                             | 918,865                     | 3,889,106                   | 4,807,971        |        | S    |
| Kettering Buccleuch Academy                           | 83,461                      | 212,481                     | 295,942          |        | S    |
| Kettering Park Infants School                         | 14,726                      | 65,460                      | 80,186           |        | S    |
| Kettering Park Junior School                          | 21,856                      | 92,316                      | 114,172          |        | S    |
| Kettering Science Academy (including Compass Primary) | 81,521                      | 233,391                     | 314,912          |        | S    |
| Kier (May Gurney Fleet & Passenger)                   | 63,496                      | 133,910                     | 197,406          |        | Ad   |
| Kier (May Gurney Ltd)                                 | 47,347                      | 49,779                      | 97,126           |        | Ad   |
| Kier (May Gurney Nordis)                              | 18,130                      | 41,095                      | 59,225           |        | Ad   |

| Employer                                      | Employee Contributions<br>£ | Employer Contributions<br>£ | Grand Total<br>£ | Ceased | Body |
|---|-----------------------------|-----------------------------|------------------|--------|------|
| Kilsby Academy                                | 6,960                       | 23,526                      | 30,485           |        | S    |
| Kings Heath Primary Academy                   | 19,587                      | 56,703                      | 76,290           |        | S    |
| Kings Sutton Primary Academy                  | 8,563                       | 39,154                      | 47,717           |        | S    |
| Kingsley Primary School                       | 19,811                      | 74,159                      | 93,970           |        | S    |
| Kingsley School (Academy)                     | 66,158                      | 199,349                     | 265,507          |        | S    |
| Kingsthorpe College Academy                   | 64,057                      | 222,383                     | 286,440          |        | S    |
| Kingsthorpe Grove P (NCC)                     | 34,650                      | 156,994                     | 191,644          |        | S    |
| Kingswood Catering (Bridgstock Lathams)       | 388                         | 1,808                       | 2,196            |        | Ad   |
| Kingswood Catering (Little Harrowden Primary) | 370                         | 1,720                       | 2,090            |        | Ad   |
| Kingswood Primary Academy                     | 14,023                      | 55,213                      | 69,236           |        | S    |
| Kingswood Secondary Academy                   | 65,741                      | 253,735                     | 319,475          |        | S    |
| Kislingbury CE Primary Academy                | 7,230                       | 29,108                      | 36,338           |        | S    |
| Latimer Arts College (NCC)                    | 43,685                      | 192,438                     | 236,123          |        | S*   |
| Legacy Leisure Ltd                            | 2,144                       | 12,110                      | 14,255           |        | Ad   |
| LGSS Law Ltd (NCC)                            | 78,926                      | 265,857                     | 344,783          |        | S    |
| Lings Primary (Academy)                       | 19,864                      | 59,880                      | 79,744           |        | S    |

# Management and Financial Performance (Continued)

| Employer                                      | Employee Contributions<br>£ | Employer Contributions<br>£ | Grand Total<br>£ | Ceased | Body |
|---|-----------------------------|-----------------------------|------------------|--------|------|
| Little Harrowden Community Primary School     | 7,872                       | 28,599                      | 36,471           |        | S    |
| Loatlands Primary Academy                     | 21,031                      | 80,960                      | 101,992          |        | S    |
| Loddington CE Primary School                  | 6,840                       | 22,407                      | 29,247           |        | S    |
| Lodge Park Academy                            | 37,312                      | 141,686                     | 178,998          |        | S    |
| Longtown Outdoor Learning Trust               | 7,411                       | 36,206                      | 43,617           |        | Ad   |
| LTS Cleaning Ltd - Deanshanger Primary School | 356                         | 1,594                       | 1,950            |        | Ad   |
| Lumbertubs Primary Academy                    | 12,105                      | 46,365                      | 58,470           |        | S    |
| Magdalen College (Academy)                    | 62,168                      | 224,872                     | 287,040          |        | S    |
| Malcolm Arnold Academy                        | 48,226                      | 159,025                     | 207,251          |        | S    |
| Malcolm Arnold Prep (DRET)                    | 14,378                      | 42,236                      | 56,613           |        | S    |
| Manor School (Academy)                        | 48,184                      | 158,706                     | 206,890          |        | S    |
| Maplefields Academy                           | 46,433                      | 153,912                     | 200,345          |        | S    |
| Mawsley Primary School                        | 17,535                      | 79,607                      | 97,142           |        | S*   |
| Maxim Facilities Management Ltd               | 1,812                       | 7,116                       | 8,928            |        | Ad   |
| Meadowside Primary School                     | 24,196                      | 109,500                     | 133,696          |        | S*   |
| Mears Ashby C of E Endowed School             | 3,394                       | 10,272                      | 13,666           |        | S    |

| Employer                                      | Employee Contributions<br>£ | Employer Contributions<br>£ | Grand Total<br>£ | Ceased | Body |
|---|-----------------------------|-----------------------------|------------------|--------|------|
| Middleton Cheney Academy                      | 17,659                      | 66,191                      | 83,850           |        | S    |
| Millbrook Infant School (NCC)                 | 15,120                      | 68,034                      | 83,154           |        | S*   |
| Millbrook Junior School (NCC)                 | 25,245                      | 115,355                     | 140,600          |        | S*   |
| Milton Parochial Primary School               | 3,797                       | 16,377                      | 20,174           |        | S    |
| Montsaye Academy                              | 68,917                      | 216,740                     | 285,657          |        | S    |
| Moulton College                               | 235,284                     | 734,144                     | 969,428          |        | S    |
| Moulton Parish Council                        | 7,531                       | 30,154                      | 37,685           |        | S    |
| Moulton Primary School (NCC)                  | 23,204                      | 103,829                     | 127,033          |        | S*   |
| Moulton School and Science College            | 68,009                      | 228,230                     | 296,239          |        | S    |
| Naseby Academy                                | 2,941                       | 9,411                       | 12,351           |        | S    |
| Newnham Primary Academy                       | 4,706                       | 18,407                      | 23,112           |        | S    |
| Newton Road School (formerly Risdene Academy) | 25,919                      | 94,249                      | 120,168          |        | S    |
| Nicholas Hawksmoor (Academy)                  | 21,484                      | 71,657                      | 93,141           |        | S    |
| Northampton Academy (ULT)                     | 78,319                      | 232,960                     | 311,279          |        | S    |
| Northampton Borough Council                   | 650,587                     | 5,512,823                   | 6,163,410        |        | S    |
| Northampton College                           | 359,085                     | 1,232,585                   | 1,591,670        |        | S    |



# Management and Financial Performance (Continued)

| Employer  | Employee Contributions<br>£ | Employer Contributions<br>£ | Grand Total<br>£ | Ceased | Body |
|---|-----------------------------|-----------------------------|------------------|--------|------|
| Northampton High School (Girls' Day School Trust) | 23,012                      | 183,830                     | 206,841          |        | Ad   |
| Northampton International Academy                 | 48,507                      | 195,669                     | 244,177          |        | S    |
| Northampton Partnership Homes Ltd                 | 480,386                     | 2,913,504                   | 3,393,890        |        | S    |
| Northampton School for Boys                       | 79,376                      | 275,973                     | 355,349          |        | S    |
| Northampton School for Girls Academy              | 78,577                      | 203,355                     | 281,933          |        | S    |
| Northampton Theatres Trust Ltd                    | 19,804                      | 192,466                     | 212,270          |        | Ad   |
| Northamptonshire Carers                           | 5,704                       | 21,546                      | 27,250           |        | Ad   |
| Northamptonshire County Council                   | 6,530,581                   | 26,879,707                  | 33,410,289       |        | AA   |
| Northamptonshire Fire & Rescue Service            | 150,936                     | 405,863                     | 556,800          |        | S    |
| Northants Chief Constable                         | 1,961,205                   | 4,635,044                   | 6,596,249        |        | S    |
| Northants Music & P/A Trust                       | 7,363                       | 8,592                       | 15,955           |        | Ad   |
| Northants Police & Crime Commissioner             | 100,019                     | 250,826                     | 350,845          |        | S    |
| Northgate Sch Arts (Academy)                      | 92,832                      | 260,358                     | 353,190          |        | S    |
| NSL Ltd   | 4,900                       | -                           | 4,900            |        | Ad   |
| Oakley Vale Academy                               | 18,286                      | 68,333                      | 86,620           |        | S    |

| Employer                                   | Employee Contributions<br>£ | Employer Contributions<br>£ | Grand Total<br>£ | Ceased | Body |
|--|-----------------------------|-----------------------------|------------------|--------|------|
| Oakway Academy                             | 23,841                      | 92,019                      | 115,860          |        | S    |
| Old Stratford Primary School               | 10,679                      | 43,161                      | 53,840           |        | S    |
| Olympic Primary School Academy             | 14,439                      | 54,133                      | 68,572           |        | S    |
| Oundle and Kings Cliffe Middle School      | -                           | 7,283                       | 7,283            | Y      | S*   |
| Oundle CE Primary School                   | 20,386                      | 65,545                      | 85,930           |        | S    |
| Oundle Town Council                        | 3,864                       | 16,431                      | 20,296           |        | S    |
| Our Lady of Walsingham                     | 21,012                      | 82,385                      | 103,397          |        | S    |
| Our Lady's Catholic Primary School         | 22,579                      | 103,038                     | 125,617          |        | S*   |
| Overstone Primary School                   | 7,249                       | 33,397                      | 40,646           |        | S    |
| Park Infant (Raunds) (NCC)                 | 1,262                       | 5,465                       | 6,727            | Y      | S*   |
| Parklands Primary School                   | 12,571                      | 44,656                      | 57,227           |        | S    |
| Parkwood Leisure Ltd                       | 2,096                       | 8,503                       | 10,598           |        | Ad   |
| Paulerspury CoE Primary (NCC)              | 6,517                       | 29,279                      | 35,795           |        | S*   |
| Pboro Diocese Ed. Trust (HQ)               | 38,549                      | 99,512                      | 138,061          |        | S    |
| Pineham Barns Primary School (Free School) | 9,464                       | 30,544                      | 40,008           |        | S    |
| Pitsford Primary School                    | 1,963                       | 9,137                       | 11,100           |        | S*   |
| Places For People Leisure Management Ltd   | 6,886                       | -                           | 6,886            |        | Ad   |

# Management and Financial Performance (Continued)

| Employer                             | Employee Contributions<br>£ | Employer Contributions<br>£ | Grand Total<br>£ | Ceased | Body |
|--------------------------------------|-----------------------------|-----------------------------|------------------|--------|------|
| Polebrook CofE Primary (NCC)         | 3,220                       | 14,989                      | 18,209           |        | S*   |
| Preston Hedge's Primary (Acade       | 20,584                      | 70,053                      | 90,637           |        | S    |
| Prince William Academy               | 25,221                      | 116,819                     | 142,040          |        | S    |
| Priors Hall – A Learning Community   | 2,254                       | 9,960                       | 12,215           |        | S    |
| Priors Hall – A Learning Community   | 5,044                       | 22,356                      | 27,400           |        | S*   |
| Prospects Services                   | 8,042                       | 27,209                      | 35,250           |        | Ad   |
| Purple Oaks Academy                  | 19,759                      | 80,298                      | 100,056          |        | S    |
| Pytchley Endowed CEVA Primary School | 5,694                       | 25,561                      | 31,255           |        | S    |
| Queen Eleanor Primary Academy        | 13,719                      | 55,785                      | 69,504           |        | S    |
| Raunds Park Infant School Academy    | 6,451                       | 29,370                      | 35,821           |        | S    |
| Raunds Town Council                  | 5,033                       | 30,268                      | 35,301           |        | S    |
| Rectory Farm Primary Academy         | 14,743                      | 56,509                      | 71,252           |        | S    |
| Redwell Primary School (NCC)         | 29,734                      | 134,525                     | 164,259          |        | S*   |
| Ringstead CofE Primary Academy       | 5,653                       | 21,981                      | 27,635           |        | S    |
| Roade Primary School                 | 13,130                      | 59,696                      | 72,826           |        | S*   |
| Rockingham Forest Trust              | 4,683                       | 35,042                      | 39,726           | Y      | Ad   |
| Rockingham Primary Academy           | 14,988                      | 57,244                      | 72,232           |        | S    |

| Employer                         | Employee Contributions<br>£ | Employer Contributions<br>£ | Grand Total<br>£ | Ceased | Body |
|----------------------------------|-----------------------------|-----------------------------|------------------|--------|------|
| Rothwell Junior School           | 16,179                      | 60,845                      | 77,024           |        | S    |
| Rothwell Town Council            | 982                         | 3,791                       | 4,773            |        | S    |
| Rothwell Victoria Infants School | 15,210                      | 57,698                      | 72,909           |        | S    |
| Rowan Gate Primary (NCC)         | 70,781                      | 317,534                     | 388,315          |        | S*   |
| Rushden Academy                  | 43,386                      | 159,889                     | 203,275          |        | S    |
| Rushden Primary Academy          | 12,690                      | 47,650                      | 60,340           |        | S    |
| Rushden Town Council             | 15,546                      | 63,980                      | 79,525           |        | S    |
| Rushton Primary Academy          | 5,202                       | 20,564                      | 25,766           |        | S    |
| Ruskin Junior Academy            | 12,991                      | 49,109                      | 62,100           |        | S    |
| Shaw Healthcare                  | 9,335                       | 16,616                      | 25,951           |        | Ad   |
| Silverstone CE Primary Academy   | 10,291                      | 41,032                      | 51,324           |        | S    |
| Silverstone UTC                  | 29,969                      | 61,079                      | 91,048           |        | S    |
| Simon de Senlis Primary Academy  | 20,868                      | 82,220                      | 103,088          |        | S    |
| Sir Christopher Hatton Academy   | 65,649                      | 216,123                     | 281,771          |        | S    |
| South End Infant Rushden (NCC)   | 17,255                      | 78,494                      | 95,749           |        | S*   |
| South End Junior Rushden (NCC)   | 20,026                      | 90,200                      | 110,226          |        | S*   |
| South Northants Council          | 353,649                     | 839,935                     | 1,193,585        |        | S    |
| South Northants Homes            | 86,083                      | 433,244                     | 519,327          |        | Ad   |

# Management and Financial Performance (Continued)

| Employer  | Employee Contributions<br>£ | Employer Contributions<br>£ | Grand Total<br>£ | Ceased | Body |
|---|-----------------------------|-----------------------------|------------------|--------|------|
| Southfield Primary Academy                      | 10,471                      | 49,942                      | 60,413           |        | S    |
| Southfield School for Girls Academy (Kettering) | 34,490                      | 121,953                     | 156,443          |        | S    |
| Spire Homes (LG) Ltd                            | 661                         | 2,780,302                   | 2,780,963        | Y      | Ad   |
| Sponne School (Academy)                         | 73,477                      | 260,165                     | 333,642          |        | S    |
| Spratton CE Primary School                      | 2,643                       | 10,621                      | 13,265           |        | S    |
| Spring Lane Primary Academy                     | 18,594                      | 71,657                      | 90,251           |        | S    |
| St Andrews Primary Academy                      | 20,563                      | 62,596                      | 83,159           |        | S    |
| St Barnabas                                     | 11,926                      | 46,628                      | 58,554           |        | S    |
| St Brendan's Catholic Primary School            | 13,283                      | 60,184                      | 73,467           |        | S    |
| St Edwards Catholic Primary                     | 10,144                      | 41,908                      | 52,052           |        | S    |
| St Gregory's Catholic Primary School            | 23,786                      | 89,147                      | 112,934          |        | S    |
| St James CE Primary School                      | 36,802                      | 140,011                     | 176,812          |        | S    |
| St James Infant School                          | 13,232                      | 43,768                      | 57,000           |        | S    |
| St Loy C of E Primary Academy                   | 3,483                       | 14,050                      | 17,533           |        | S    |
| St Luke Academies Trust HQ staff                | 5,830                       | 17,957                      | 23,787           |        | S    |
| St Lukes CEVA Primary School Academy            | 16,760                      | 73,908                      | 90,668           |        | S    |

| Employer                                     | Employee Contributions<br>£ | Employer Contributions<br>£ | Grand Total<br>£ | Ceased | Body |
|--|-----------------------------|-----------------------------|------------------|--------|------|
| St Marys Catholic Primary School             | 11,136                      | 42,279                      | 53,416           |        | S    |
| St Mary's CEVA Pri Acad Kettering            | 17,409                      | 66,293                      | 83,702           |        | S    |
| St Mary's Pri Acad, Burton Latimer           | 20,116                      | 77,477                      | 97,593           |        | S    |
| St Mary's Primary Northampton                | -                           | 870                         | 870              | Y      | S*   |
| St Patrick's Primary (NCC)                   | 15,559                      | 69,828                      | 85,387           |        | S*   |
| St Peters's C of E Academy                   | 8,508                       | 32,956                      | 41,464           |        | S    |
| St Thomas More Catholic Primary School (NCC) | 10,268                      | 41,612                      | 51,880           |        | S    |
| Standens Barn Primary School Academy         | 17,812                      | 69,080                      | 86,892           |        | S    |
| Stanwick Parish Council                      | 1,055                       | 5,145                       | 6,200            |        | S    |
| Stanwick Primary School                      | 8,873                       | 40,210                      | 49,083           |        | S    |
| Staverton CofE Pri Academy                   | 5,623                       | 24,463                      | 30,086           |        | S    |
| Stimpson Avenue Primary Academy              | 14,203                      | 53,855                      | 68,058           |        | S    |
| Studfall Infant School & Nursery Academy     | 22,882                      | 90,688                      | 113,570          |        | S    |
| Studfall Junior School Academy               | 27,077                      | 111,569                     | 138,646          |        | S    |
| Sunnyside Primary (Academy)                  | 10,985                      | 43,837                      | 54,822           |        | S    |

# Management and Financial Performance (Continued)

| Employer  | Employee Contributions<br>£ | Employer Contributions<br>£ | Grand Total<br>£ | Ceased | Body |
|---|-----------------------------|-----------------------------|------------------|--------|------|
| Sywell CEVA Primary   | 5,005                       | 23,051                      | 28,055           |        | S    |
| The Abbey Primary School Academy                                    | 14,075                      | 48,795                      | 62,870           |        | S    |
| The Arbours Primary (Academy)                                       | 16,770                      | 56,123                      | 72,894           |        | S    |
| The Avenue Infants School (NCC)                                     | 14,003                      | 63,639                      | 77,642           |        | S*   |
| The Bramptons Primary School  | 4,471                       | 20,581                      | 25,052           |        | S*   |
| The Coombs Catering Partnership (The Good Shepherd Primary Academy) | 777                         | 3,362                       | 4,139            |        | Ad   |
| The Duston School (Academy)   | 73,665                      | 254,566                     | 328,231          |        | S    |
| The Ferrers School Academy  | 45,616                      | 169,603                     | 215,219          |        | S    |
| The Good Shepherd Catholic Primary Academy                          | 13,771                      | 58,511                      | 72,282           |        | S    |
| The Grange School Daventry (NCC)                                    | 12,569                      | 56,948                      | 69,517           | Y      | S*   |
| The Parker E-ACT Academy  | 124,246                     | 338,815                     | 463,061          |        | S    |
| The Radstone Primary School   | 6,596                       | 19,038                      | 25,634           |        | S    |
| The Red Kite Academy  | 32,015                      | 90,252                      | 122,267          |        | S    |
| The Spires Academy  | 10,138                      | 29,164                      | 39,302           |        | S    |

| Employer                            | Employee Contributions<br>£ | Employer Contributions<br>£ | Grand Total<br>£ | Ceased | Body |
|-------------------------------------|-----------------------------|-----------------------------|------------------|--------|------|
| The University of Northampton       | 1,058,529                   | 3,463,623                   | 4,522,152        |        | S    |
| Thomas Becket Catholic Academy      | 34,818                      | 153,441                     | 188,259          |        | S    |
| Thorplands Primary (Academy)        | 21,741                      | 84,036                      | 105,777          |        | S    |
| Thrapston Primary School (NCC)      | 28,596                      | 129,500                     | 158,096          |        | S*   |
| Thrapston Town Council              | 2,661                       | 10,995                      | 13,656           |        | S    |
| Towcester CE Primary School (Acad)  | 15,292                      | 69,792                      | 85,083           |        | S    |
| Towcester Town Council              | 4,804                       | 21,789                      | 26,593           |        | S    |
| Trinity CE Primary School           | 6,017                       | 24,448                      | 30,465           |        | S    |
| TTC 2000 Limited                    | 3,596                       | 11,229                      | 14,825           |        | Ad   |
| Uni of Northampton Enterprises      | 34,726                      | 78,006                      | 112,732          |        | Ad   |
| Unity Leisure Trust                 | 64,725                      | 180,455                     | 245,180          |        | Ad   |
| Upton Meadows                       | 27,261                      | 96,326                      | 123,587          |        | S    |
| Upton Parish Council                | 967                         | 4,978                       | 5,945            |        | S    |
| Veolia UK Ltd                       | 72,093                      | 467,317                     | 539,410          |        | Ad   |
| VERNON TERRACE PRIMARY (NCC)        | 20,563                      | 90,555                      | 111,118          |        | S*   |
| Victoria Primary Academy            | 21,521                      | 70,115                      | 91,636           |        | S    |
| Voice for Victims and Witnesses Ltd | 16,954                      | 67,324                      | 84,278           |        | Ad   |
| Walgrave Primary School             | 6,565                       | 30,354                      | 36,919           |        | S*   |

# Management and Financial Performance (Continued)

| Employer                                     | Employee Contributions<br>£ | Employer Contributions<br>£ | Grand Total<br>£ | Ceased | Body |
|--|-----------------------------|-----------------------------|------------------|--------|------|
| Warwick Primary Academy                      | 17,195                      | 64,230                      | 81,424           |        | S    |
| Waynflete Infants' (Academy)                 | 7,414                       | 32,999                      | 40,413           |        | S    |
| Weavers Academy                              | 60,007                      | 207,659                     | 267,665          |        | S    |
| Weedon Bec Academy                           | 17,940                      | 67,649                      | 85,590           |        | S    |
| Weedon Bec Parish Council                    | 1,229                       | 5,999                       | 7,228            |        | S    |
| Weldon Parish Council                        | 669                         | 3,442                       | 4,111            |        | S    |
| Weldon Primary Academy                       | 7,913                       | 34,145                      | 42,058           |        | S    |
| Welford, Sibbertoft and Sulby Endowed School | 3,853                       | 16,849                      | 20,702           |        | S    |
| Wellingborough Borough Council               | 216,860                     | 1,808,963                   | 2,025,823        |        | S    |
| Wellingborough Norse Limited                 | 70,604                      | -                           | 70,604           |        | Ad   |
| Welton C of E Primary (Academy)              | 5,588                       | 19,327                      | 24,915           |        | S    |
| West Haddon Parish Council                   | 1,560                       | 7,532                       | 9,092            |        | S    |
| Weston Favell Academy                        | 50,242                      | 181,574                     | 231,817          |        | S    |
| Weston Favell Primary (Academy)              | 27,848                      | 104,572                     | 132,420          |        | S    |
| Whitefriars Primary School                   | 23,847                      | 108,134                     | 131,981          |        | S    |
| Whitehills Primary (NCC)                     | 18,258                      | 83,828                      | 102,086          |        | S*   |
| Wilbarston Primary Academy                   | 5,742                       | 21,904                      | 27,646           |        | S    |

| Employer                             | Employee Contributions<br>£ | Employer Contributions<br>£ | Grand Total<br>£   | Ceased | Body |
|--------------------------------------|-----------------------------|-----------------------------|--------------------|--------|------|
| Windmill Primary School Academy      | 18,443                      | 73,131                      | 91,574             |        | S    |
| Wollaston Parish Council             | 116                         | 741                         | 856                | Y      | S    |
| Wollaston Primary Academy            | 12,650                      | 48,483                      | 61,133             |        | S    |
| Wollaston School (Secondary)         | 50,123                      | 204,618                     | 254,742            |        | S    |
| Woodford CofE Primary School Academy | 4,443                       | 20,681                      | 25,124             |        | S    |
| Woodford Halse CE Primary Academy    | 15,350                      | 53,831                      | 69,181             |        | S    |
| Woodland View Primary Academy        | 18,774                      | 73,269                      | 92,043             |        | S    |
| Woodnewton - a learning community    | 66,094                      | 221,975                     | 288,069            |        | S    |
| Woodvale Primary (Academy)           | 23,246                      | 76,322                      | 99,568             |        | S    |
| Wootton Parish Council               | 4,951                       | 16,212                      | 21,163             |        | S    |
| Wootton Park School                  | 37,352                      | 106,540                     | 143,892            |        | S    |
| Wootton Primary (Academy)            | 18,616                      | 71,432                      | 90,048             |        | S    |
| Wren Spinney Community Academy       | 26,565                      | 113,228                     | 139,794            |        | S    |
| Wrenn School Academy                 | 65,291                      | 234,698                     | 299,988            |        | S    |
| WSP Management Services Ltd          | 85,822                      | -                           | 85,822             |        | Ad   |
| Yardley Hastings Primary School      | 7,971                       | 37,103                      | 45,074             |        | S    |
| <b>Grand Total</b>                   | <b>22,121,256</b>           | <b>90,541,426</b>           | <b>112,662,682</b> |        |      |

# Investment Policy and Performance

## Introduction

Investment of the Fund's assets is governed by the Local Government Pension Scheme – in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations"). These seek to ensure that the Fund:

- Has formulated an appropriate Investment Strategy; a copy of which is available at

## [Investment Strategy Statement](#)

- In formulating its Investment Strategy has considered and documented its approach to:
  - Risk assessment and risk management,
  - Pooling investments,
  - How environmental, social and governance issues are taken into account in investment selection,
  - Having suitably diversified investments,
- Has taken appropriate advice,
- Has an appropriate number of Investment Managers who invest fund monies on its behalf,
- Has relevant investment limits which are not exceeded,
- Regularly monitors and reviews investments and investment arrangements,
- Understands the restrictions on its powers to borrow, and
- Operates a separate bank account.

The 2016 Regulations also set out the circumstances under which the Secretary of State would issue a direction to intervene in the management of the Fund's investments.

The Pension Fund Committee (PFC) approves investment policies and strategy and has established an Investment Sub-Committee (ISC), with support from 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 return on a risk adjusted basis to grow the Fund's assets to reflect its equally long term future liabilities. The Fund's approach to Sustainable Responsible Investment (SRI) is covered in the Investment Strategy Statement (ISS), in which the PFC has delegated to Investment Managers the responsibility for any shareholder voting and engagement.

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

The ISS seeks to ensure that the Fund has an appropriate number of Investment Managers to invest fund monies on its behalf. 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 UK Equity and Global Equity mandate and a buy and hold strategy for 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 the ACCESS Pool has significant scale with assets of £44bn, managed on behalf of c3,500 employers and c1.1m members.

The roles and decision-making relationship between the eleven funds is informed by an Inter Authority Agreement. The ACCESS pool is governed by the AJC comprising the Chairmen of the eleven constituent funds. The Joint Committee 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.

Northamptonshire’s first investment into the ACCESS ACS of a global equity mandate was completed in May 2019. The Fund closed one of its active UK listed equity mandates during 2019-20 and the proceeds were invested in global equity sub-funds in the ACS. This concluded the implementation of a change in strategy to reduce the Fund’s allocation to UK equity mandates. The Fund’s diversified growth mandate also transitioned into the ACS during 2019-20. The Fund’s remaining active UK equity mandate is scheduled to transition into the ACS during 2020/21.

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              | 2019-20<br>£000 | 2015-16 to 2019-20<br>Cumulative<br>£000 |
|--------------------------------|-----------------|--|
| Strategic & Technical          | 17.1            | 102.6                                    |
| Legal                          | 16.5            | 83.6                                     |
| Project Management             | 4.0             | 81.1                                     |
| ACCESS Support Unit            | 34.9            | 80.9                                     |
| Other                          | 1.3             | 22.8                                     |
| <b>Total Operational Costs</b> | <b>73.8</b>     | <b>371.0</b>                             |

## Cost Savings

The combined fee savings for the 2019-20 financial year resulting from the asset pooling agenda exceed £578k per annum.

## Cost Transparency

The analysis below shows the investment expenses incurred during financial year 2019-20 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.

|                                     | Asset Pool     |                  |               | Non- Asset Pool |                  |               | Fund Total    |
|-------------------------------------|----------------|------------------|---------------|-----------------|------------------|---------------|---------------|
|                                     | Direct<br>£000 | Indirect<br>£000 | Total<br>£000 | Direct<br>£000  | Indirect<br>£000 | Total<br>£000 | £000          |
| Investment Management Fee           | 1,401          | 101              | 1,502         | 4,591           | 593              | 5,184         | 6,686         |
| Performance Fee                     | -              | -                | -             | 1,245           | -                | 1,245         | 1,245         |
| Transaction taxes                   | -              | -                | -             | 555             | -                | 555           | 555           |
| Broker commissions                  | 54             | -                | 54            | 294             | -                | 294           | 348           |
| Other explicit costs                | 45             | -                | 45            | 765             | -                | 765           | 810           |
| Implicit/indirect transaction costs |                | (1,087)          | (1,087)       | -               | 2,845            | 2,845         | 1,758         |
| Administration                      | 47             | -                | 47            | 463             | 180              | 643           | 690           |
| Governance and Compliance           | 4              | -                | 4             | 59              | 94               | 153           | 157           |
| Other                               | -              | 37               | 37            | 359             | 1,015            | 1,374         | 1,411         |
| <b>Total</b>                        | <b>1,551</b>   | <b>(949)</b>     | <b>602</b>    | <b>8,331</b>    | <b>4,727</b>     | <b>13,058</b> | <b>13,660</b> |

# Investment Policy and Performance (Continued)

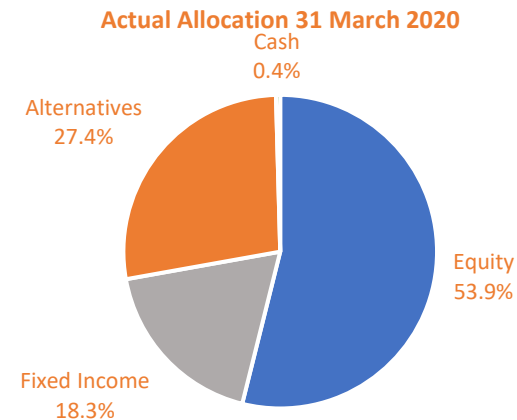
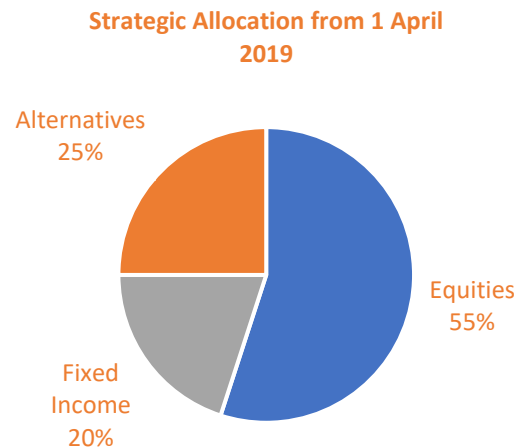
## Investment Allocation and Performance

The Pension Fund Committee is responsible for approving the Strategic Asset Allocation proposed by the Investment Sub-Committee (ISC). The ISC have reviewed the 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 chance 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 revised strategy approved by the Pension Committee in March 2019 has the objective of reducing the Fund's reliance upon, and the associated risks, of a large allocation to equities whilst retaining sufficient exposure to growth assets. The revised strategy, which was implemented during 2019-20, focuses on a reduction in equities and an increase in assets (such as Private equity and Infrastructure) and a flexible allocation to fixed income. Any consequential changes to Investment Manager mandates will be implemented in conjunction with the roll-out of sub-funds offered by the ACCESS pool ACS. The Universe overview highlights the potential benefits of the revised strategy.

The charts below show the Strategic Asset Allocation at the start and close of the financial year compared to the actual allocation of assets at 31 March 2020 and the revised Strategic Asset Allocation targeted for 2019-20.



# Investment Policy and Performance (Continued)

Value of Investments held by each of the Fund's Investment Managers on 31 March 2019 and 31 March 2020:

| Manager                                   | 31 March 2019  |              | 31 March 2020  |              |
|---|----------------|--------------|----------------|--------------|
|   | £million       | % of Total   | £million       | % of Total   |
| Majedie UK Equity                         | 262.7          | 10.6         | 179.3          | 7.5          |
| UBS UK Equity                             | 267.1          | 10.7         | -              | -            |
| UBS UK Passive Equity                     | 24.4           | 1            | 19.2           | 0.8          |
| Newton Global Equity                      | 390.8          | 15.7         | 207.9          | 8.7          |
| Baillie Gifford - Long Term Global Growth | -              | -            | 244.8          | 10.2         |
| Longview Global Equity                    | -              | -            | 184.0          | 7.7          |
| UBS Passive Global Equity                 | 539.0          | 21.6         | 454.4          | 19.0         |
| UBS Index Linked Gilts                    | 214.1          | 8.6          | 259.7          | 10.9         |
| Wellington                                | 181.6          | 7.3          | 177.9          | 7.4          |
| CBRE Property                             | 196.1          | 7.9          | 202.1          | 8.4          |
| UBS Property                              | 1.0            | 0            | 0.3            | 0.0          |
| Baillie Gifford – Diversified Growth      | 303.4          | 12.2         | 260.2          | 10.9         |
| M&G Residential Property                  | 8.0            | 0.3          | 44.3           | 1.9          |
| HarbourVest                               | 16.9           | 0.7          | 29.4           | 1.2          |
| Adams Street                              | 8.3            | 0.3          | 19.5           | 0.8          |
| AMP Capital                               | 17.1           | 0.7          | 35.2           | 1.5          |
| Allianz                                   | 11.1           | 0.4          | 17.1           | 0.7          |
| IFM Infrastructure                        | -              | -            | 46.7           | 2.0          |
| Catapult                                  | 0.8            | 0.0          | 0.3            | 0.0          |
| Cash                                      | 46.6           | 1.9          | 10.4           | 0.4          |
| <b>Total</b>                              | <b>2,489.0</b> | <b>100.0</b> | <b>2,392.7</b> | <b>100.0</b> |

The table above excludes new commitments to the Alternatives allocation in infrastructure equity fund managed by JP Morgan for which no funds had been called by 31 March 2020. During 2019-20 the initial cash calls were made on commitments made in previous years to IFM Infrastructure.

# Investment Policy and Performance (Continued)

## Total Fund Performance

The total investment return for the Fund over the financial year was -4.7 compared with a weighted benchmark return of -4.5%. In the previous year the total investment return was 7.4% compared with a weighted benchmark of 7.9%. The Fund's total investment return was 1.7% p.a over the three years to 31 March 2020, 5.1% p.a over the five years to 31 March 2020, and 6.9% per annum over the ten years to 31 March 2020.

## 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 (%<br>p.a) |           |          | 3 year (%<br>p.a) |           |          | 10 year (%<br>p.a) |           |          |
|--------------------------------------|-------------------|-----------|----------|-------------------|-----------|----------|--------------------|-----------|----------|
|                                      | Return            | Benchmark | Variance | Return            | Benchmark | Variance | Return             | Benchmark | Variance |
| Majedie UK Equity                    | (21.1)            | (18.5)    | (2.6)    | (7.2)             | (4.2)     | (3.0)    | 5.8                | 4.4       | 1.4      |
| Newton – Global Equity               | (2.0)             | (6.7)     | 4.7      | 4.6               | 1.8       | 2.8      | n/a                | n/a       | n/a      |
| UBS – Passive Global Equity          | (9.1)             | (9.2)     | 0.1      | 1.3               | 1.3       | 0.0      | n/a                | n/a       | n/a      |
| UBS – Index-Linked Gilts             | 4.6               | 4.7       | (0.1)    | 3.7               | 3.7       | 0.0      | n/a                | n/a       | n/a      |
| Wellington – Global Total Return     | 1.7               | 5.4       | (3.7)    | 2.8               | 5.0       | (2.2)    | n/a                | n/a       | n/a      |
| Wellington – Global Strategic Credit | (5.6)             | 0.2       | (5.8)    | (1.4)             | 0.9       | (2.3)    | n/a                | n/a       | n/a      |
| Baillie Gifford - DGF                | (8.4)             | 4.3       | (12.7)   | (1.2)             | 4.2       | (5.4)    | n/a                | n/a       | n/a      |
| CBRE - Property                      | (2.3)             | 0.0       | (2.3)    | 4.2               | 4.8       | (0.6)    | 7.3                | 7.1       | 0.2      |
| M&G – Residential Property           | 2.7               | 6.0       | (3.3)    | n/a               | n/a       | n/a      | n/a                | n/a       | n/a      |
| HarbourVest – Private Equity         | 18.6              | (5.3)     | 23.9     | 18.6              | 2.8       | 15.8     | n/a                | n/a       | n/a      |
| Adams Street – Private Equity        | 24.4              | (5.3)     | 29.7     | n/a               | n/a       | n/a      | n/a                | n/a       | n/a      |
| AMP Capital – Infrastructure Debt    | 3.1               | 10.0      | (6.9)    | n/a               | n/a       | n/a      | n/a                | n/a       | n/a      |
| Allianz – Infrastructure Debt        | 5.4               | 4.0       | 1.4      | 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

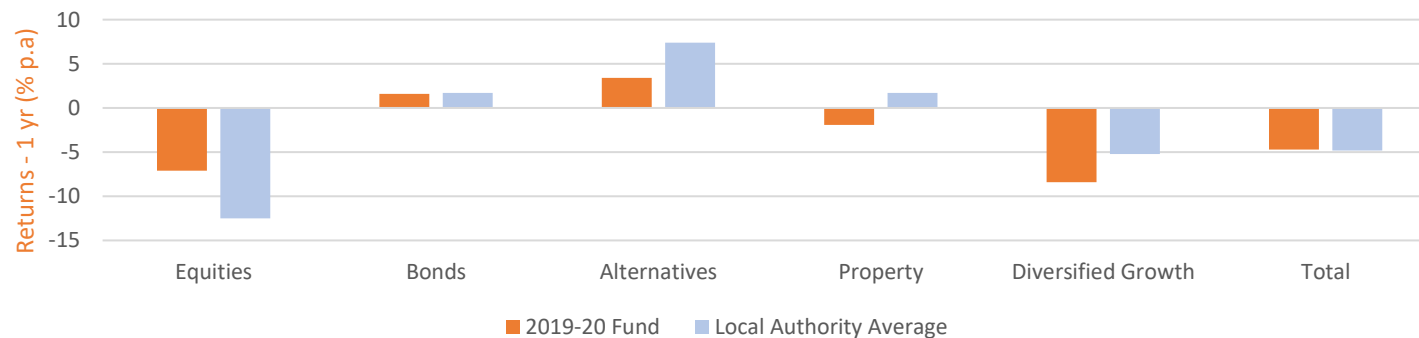
# Investment Policy and Performance (Continued)

## Performance in Comparison with Local Authority Universe

The Local Authority Universe is a national scheme consisting of 63 pension funds collated by PIRC Ltd that provides benchmarking of local authority pension funds investment performance.

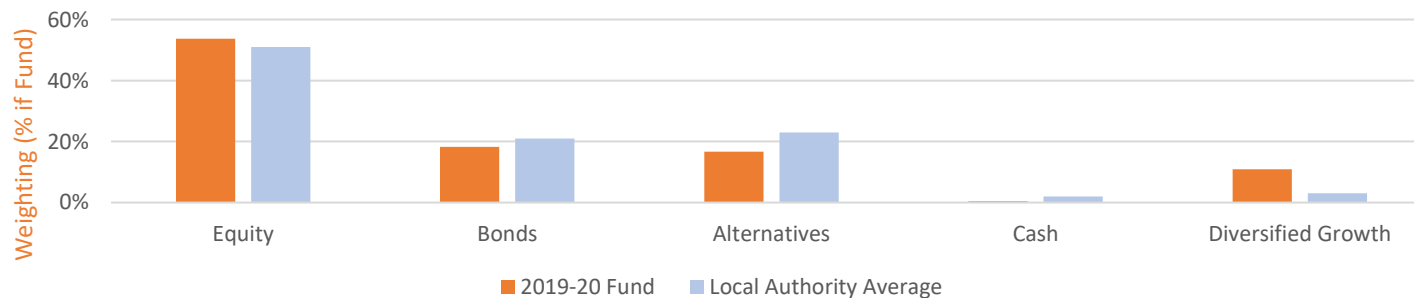
In 2019-20 the Fund's performance of -4.5% over the financial year was ranked 53<sup>rd</sup> percentile out of the 63 Funds participating in the Universe. The investment return achieved was influenced by the Fund's holding of a higher proportion of Equities, when compared to the Local Authority Universe.

## Investment Returns compared to Local Authority Universe



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

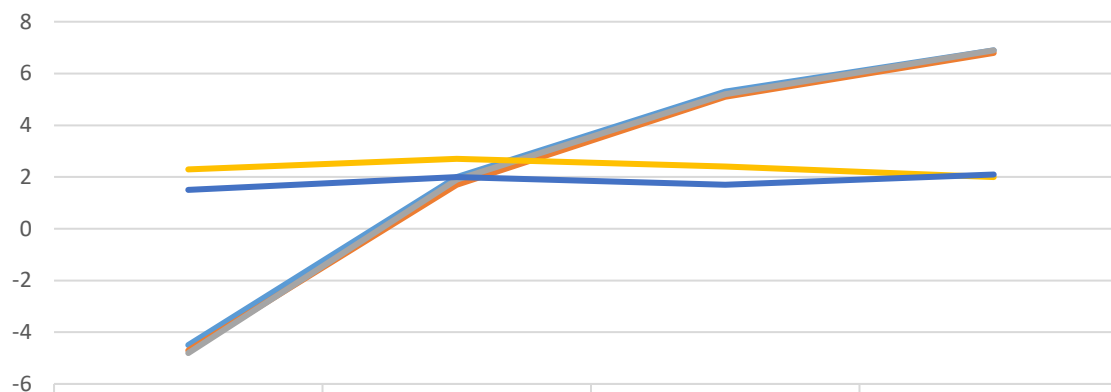
## Investment Allocation compared to Local Authority Universe





# Investment Policy and Performance (Continued)

% Returns p.a



|                                  | 1 year<br>53rd Percentile* | 3 years<br>52nd Percentile | 5 years<br>37th Percentile | 10 years<br>43rd Percentile |
|----------------------------------|----------------------------|----------------------------|----------------------------|-----------------------------|
| The Benchmark                    | -4.5                       | 2.0                        | 5.3                        | 6.9                         |
| The Fund                         | -4.7                       | 1.7                        | 5.1                        | 6.8                         |
| Local Authority Average          | -4.8                       | 1.9                        | 5.2                        | 6.9                         |
| UK Average Weekly Earnings Index | 2.3                        | 2.7                        | 2.4                        | 2.0                         |
| Consumer Price Index             | 1.5                        | 2.0                        | 1.7                        | 2.1                         |

\*Ranking in LA Universe

The table above demonstrates the Fund's performance compared to Benchmark returns and the average investment return achieved by the Local Authority Universe over a one, three, five and ten year period.

# Investment Policy and Performance (Continued)

## Independent Investment Adviser's Annual Review

### Economic Background and Market Review

The financial year 2019-20 started with global equity markets having enjoyed a surprisingly strong recovery from the sharp sell off seen at the end of 2018. The major catalyst for this rapid change in sentiment was a dramatic softening in the US Federal Reserve guidance on future interest rate moves. As the calendar year began the expectation had been for another three rate rises during 2019, building on the four seen during 2018. However growing concerns over a slowing global economy particularly in Europe and China, combined with the on-going trade dispute between the US and China had resulted in the Federal Reserve adopting a “data driven” approach during January. This resulted in a rapid softening of the previously hawkish tone and by the beginning of the financial year no additional rises were expected over the medium term. As the economic data continued to indicate slowing growth across the globe, bond markets simultaneously rallied alongside equities as investors began to countenance the possibility of rate cuts before the year-end.

It was a turbulent time in UK politics. Parliament was mired by a series of “meaningful votes” initiated after the defeat of the Theresa May’s original Brexit deal in January. After surviving a confidence vote the Prime Minister presented a “plan b” deal in March, which was also defeated, and an extension to the leaving date to June was requested and granted by the EU albeit in flexible form extending beyond June into October. The UK economy was suffering as the result of the on-going uncertainty and significant stock piling was evident as companies attempted to mitigate the possible supply chain shocks anticipated under a “no deal” exit, which was still a possible, if remote outcome at this time. In spite of the on-going political uncertainty, the UK equity market enjoyed a good first half of the calendar year, with the translated profits from overseas earners still benefiting from the weakness in sterling, which although above the recent lows was still significantly below the pre referendum levels.

The second and third quarters of the calendar year witnessed continuing good progress in equity markets following on from the strength seen in the previous quarter. The US Federal Reserve cut interest rates twice and the ECB cut official rates into even deeper negative territory. US-China trade tensions and a possible future escalation in tariffs worried markets earlier in the period but after some tentative signs of thawing relations ahead of the G20 meeting, markets renewed their upward progress. The failure of the UK to exit the EU in March and the on-going political uncertainty had once again undermined Sterling. This in turn boosted the value of the overseas earnings of many of the large companies in the UK index, which enjoyed a positive period despite all the political uncertainty.

In the UK, new Prime Minister Boris Johnson took office following victory in the Conservative Party leadership election on 24<sup>th</sup> July declaring that the UK would leave the EU on the 31<sup>st</sup> October “no ifs or buts”. Theresa May had announced her resignation during May after it became clear her latest attempt to build a consensus in Parliament was doomed to failure. The poor performance in the local elections and the subsequent European elections sealed her fate.

The final quarter of the calendar year was set against a backdrop of a slowing global economy, with sharp declines in industrial production already evident and signs of weakening in service sector activity beginning to emerge. The Federal Reserve cut interest rates for a third time, citing weak business investment and manufacturing output combined with on-going trade tensions and sluggish growth abroad.

Political turmoil in the UK continued unabated. The new Prime Minister had managed to renegotiate Theresa May’s exit deal but failed to carry Parliament. After attempting to prorogue Parliament and having this ultimately ruled unlawful, the government lost control of the order of business and faced the increasing likelihood of losing further votes on amendments and timetabling. Once again the EU departure date was delayed with a new exit date set for 31<sup>st</sup> January 2020. With Parliament stuck in an almost unprecedented paralysis, legislation was finally passed late October allowing for a December general election.

# Investment Policy and Performance (Continued)

The final quarter of the calendar year saw further steady upward progress in all equity markets. Overseas markets ended the year strongly with gains between 5%-9% in local currency terms. However the strong recovery in Sterling following the decisive election result reduced returns for UK based investors to below 2% in most cases. In the UK, the conclusive result of the general election removed the fear of a cliff edge no deal exit from the EU. In the US, treasury yields moved higher as trade tensions between China and the US eased and some tentative signs of a more encouraging economic outlook particularly in the services sector were being seen. Overall 2019 delivered very strong equity returns with the world index delivering 27.4% in US dollar terms and 22.6% for Sterling based investors. Despite a negative final quarter, bond markets rallied over the calendar year both in the UK and globally, supported by rate cuts and central bank purchases.

As the New Year began the expectation was for continued modest economic growth, albeit with concerns about slowing global trade. Investors remained wary of equity markets trading at high valuations after years of strong returns but markets continued to rise. The US equity market reached an all time high on 19<sup>th</sup> February and in the UK the FTSE100 was trading above 7,500. Many commentators expected the US election year to be characterised by steady economic progress and a continuing dovish Federal Bank stance.

The outbreak of COVID-19 initially reported to the WHO as “pneumonia of unknown cause” was detected in Wuhan China at the turn of the year, the WHO declared the virus a public health emergency of international concern on 30<sup>th</sup> January 2020 and a global pandemic by mid March. The social and economic consequences the pandemic unleashed were unprecedented in modern times. At the time of writing, large areas of Europe have been put into lockdown and the number of cases reported in the US are rising rapidly. Despite a global response from central banks with rates cut to record lows and asset purchase schemes of extraordinary magnitude, equity markets sold off sharply with indiscriminate selling and a flight to safety the key themes.

The Oil sector was doubly impacted with the extremely sharp slowdown in demand from economies stalled in lockdown, combined with a dispute on quota reduction between Saudi Arabia and Russia. By mid March, caught in the perfect storm of excess supply and sharply dropping demand Brent crude had fallen over 60% since turn of the year. As the quarter drew to a close global equity markets had stabilised to an extent although volatility remained extremely high. Developed market sovereign bond yields remain close to all time lows and spreads have risen sharply in many areas of the credit market adding to the stress being felt by many indebted companies. The fall in sterling has reduced the losses felt by UK based investors to some extent. The FTSE All-World index fell 16% in sterling terms during Q1. In the UK the FTSE All Share fell 25% with the large Oil & Gas sector the worst performer. The flight to safety from investors drove sovereign yields lower with UK Gilts returning 6%.

Initial estimates of the economic impact of the virus suggest that most advanced economies will enter a deep recession during the first half of the year. China the first economy affected, released February figures showing fixed asset investment down almost 25% and GDP possibility down as much as 10% year on year during Q1. The economic impact globally is anticipated to be of a similar magnitude. In the UK the Bank of England forecast that the economy could decline by as much as 14% over 2020.

## Market Returns

The performance of overseas equities was extremely weak during the final month of the financial year resulting in negative returns for the entire period. For Sterling based investors currency weakness reduced the losses on all overseas assets. In Sterling terms global equities fell -5.3% over the financial year. US Equities fell -2.3% (-7.0% in local currency) Developed Europe fell -8% (-10.7% in local currency). UK equities fell 25.1% in the quarter to March 2020, ending the financial year down 18.5%, the lowest return of any major equity market.

# Investment Policy and Performance (Continued)

## Fund Performance

The Northamptonshire County Council Pension Fund reached £2,389m in value at the end of the financial year. The Fund slightly underperformed the strategic benchmark during 2019-20, with a total return of -4.7% net of fees compared to -4.5% for the benchmark. There were a number of changes to the active managers engaged by the Fund over the period. In active equity, the two managers engaged over the entire period delivered contrasting outcomes. UK active equities underperformed the UK benchmark however the global active equity manager delivered an outperformance of the benchmark. Two additional high conviction global active managers were employed towards the end of the period.

The CBRE property fund had a disappointing year delivering performance below the property benchmark, impacted by poor returns in the struggling retail sector. The Diversified Growth Fund (DGF), which has an absolute return benchmark, performed poorly particularly in the COVID-19 impacted final quarter, impacting longer term performance with the three year returns now negative. Over longer periods the DGF has delivered positive returns although below the target benchmark. The Fund's bond returns were also below target with total return bonds and strategic credit both in negative territory. Over three years both active bond strategies have failed to deliver the target benchmark returns. The Fund employs two private equity managers. Strong public market conditions in recent years have helped the Fund's private equity manager deliver good performance significantly above the benchmark. The lagged nature of private equity valuations have resulted in extremely strong returns over the final quarter in comparison to public markets. The extent to which the current crisis results in any long-term deterioration in the private equity markets is not completely clear.

The underperformance of the Northamptonshire County Council Pension Fund over one year slightly decreases the longer-term performance against the strategic benchmark. Over three years the Fund has returned 1.7% per annum, which is marginally below the benchmark of 2.0%. Over five years the Fund return is 5.1% per annum with the benchmark at 5.3%. The COVID-19 affected first quarter of 2020 has reduced the three year Fund performance below the actuarial target of 4.0% per annum set at the last actuarial valuation.

## Strategic Asset Allocation: Investment Sub Committee Review

It is good governance to review the investment strategy and strategic asset allocation on a periodic basis. The aim of any review will be to consider new information derived from the triennial actuarial review, including changes to liabilities. Changes in the overall market environment and a review of new investment opportunities will also be considered. This process now incorporates utilising funds available on the ACCESS pool platform. The fundamental principle of the Fund's investment strategy is to reach full funding and be in a position to pay benefits as they fall due, while ensuring that contributions remain affordable to employers. With this as a frame work the ISC implemented a number of strategic changes to the asset allocation of the scheme.

The current investment strategy has been evolving over recent years but has maintained its main themes of investing in a broad spread of diversified return and income generating assets, complimented by a smaller weighting to risk mitigation assets including index linked bonds. Substantial progress was made over the financial year in reducing expose to equity risk and in diversifying manager risk within equities. The investment strategy of the scheme continues an emphasis long-term return generation over short term risk mitigation and seeks to achieve this by having a core allocation to equities within a strategically diversified overall portfolio. The current target allocation to equities has been reduced from 64% to 55% over the period. Within this allocation there has been significant changes to the asset allocation and manager diversification. The scheme has reduced exposure to UK equities and increased the overseas equity allocation. Three complementary active managers selected from the ACCESS investment platform now manage overseas equities.

The non-equity portion of the Fund is invested in a wide range of growth and diversifying assets. There is a target allocation towards alternative assets of 25%; split 10% property including property debt and residential property, 5% private equity and 5% Infrastructure debt and equity. The remaining 5% within alternative investments is an allocation into a Diversified Growth Fund.

The investments in equity and alternatives represent of 80% of the Fund. The remaining 20% is invested in government bonds and corporate credits, split between index-linked Gilts, traditional Gilts and bond mandates less exposed to interest rate changes, such as global total return and global credit.

# Investment Policy and Performance (Continued)

The financial year saw very substantial progress made towards achieving the strategic targets detailed above. New commitments were made into two private equity programmes and there was a further commitment made to infrastructure debt. An existing commitment into global infrastructure equity was drawn down over the period, which was funded, from UK equities. One UK equity mandate was completely redeemed and the proceeds used to fund two additional overseas equity managers. The scheme now employs three active global equity managers with complementary investment styles. All three of the active global equity managers employed by the Fund are housed within the ACCESS pool and the UK active equity manager is planned to join the ACCESS platform in 2020/21.

## Outlook

The current year will be a very challenging one for the ISC, with many dividends being cut from companies needing to hold onto cash reserves, cash flow into the Fund will need to be carefully monitored. The dislocation in large parts of the global economy will put many companies under financial pressure and defaults are expected to rise sharply in credit markets. In private markets most exit strategies will be disrupted and distributions low over the year. As the majority of the private equity exposure owned by Northamptonshire Pension Fund is still in the build up phase this impact is expected to only be marginal. The property market is likely to experience interruptions to rental flow and the already vulnerable retail sector is anticipated to experience more companies seeking rental holidays at best, or administration at worst. High volatility in equity markets seems likely to persist over the medium term as the global economy continues to adjust to an almost unprecedented disruption of both demand and supply side factors, opportunities will be available for active managers to add value above benchmarks as the dispersion of returns remains at high levels.

Despite an economic shock at least as severe as the 2008 Global Financial Crisis and a scale of social dislocation in many areas of the world not witnessed since WW2, the ISC will continue to oversee the investment direction of the NPF with strong levels of governance and scrutiny. The NPF is a long-term investor with long-term liabilities. Despite the extreme volatility and uncertain times currently being experienced, this too shall pass. The experience of ISC members the leadership and advice available to the ISC will continue to be of the highest calibre and continue to serve in the best interests current members, deferred members and pensioners.

Mark Stevens

May 2020

# Actuarial Information

## Northamptonshire Pension Fund (“the Fund”) Actuarial Statement for 2019/20

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 have a sufficiently high likelihood of achieving the funding target over 20 years.

Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 70% likelihood that the Fund will achieve the funding target 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:

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 VitaCurves 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 disrupted by COVID 19 which resulted in difficult market conditions towards the end of the financial year. As a result, the funding level of the Fund as at 31 March 2020 has reduced versus that reported in 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

24 April 2020

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<br>(£m) | 31 March 2019<br>(£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.

| Primary Rate (% of pay)  | Secondary Rate (£) |             |             |
|--------------------------|--------------------|-------------|-------------|
| 1 April 20 – 31 March 23 | 2020/21            | 2021/22     | 2022/23     |
| 19%                      | £20,339,000        | £20,463,000 | £20,696,000 |

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.

Robert McInroy FFA

Douglas Green FFA

31 March 2020

For and on behalf of Hymans Robertson LLP

# Audit Opinion

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHAMPTONSHIRE COUNTY COUNCIL (demised)

### Opinion

We have audited the pension fund financial statements for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020 and the amount and disposition of the fund's assets and liabilities as at 31 March 2020; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the pension fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Executive Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Executive Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The other information comprises the information included in the "Statement of Accounts 2019/20", other than the financial statements and our auditor's report thereon. The Executive Director of Finance is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

# Audit Opinion

## Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

## Responsibility of the Executive Director of Finance

As explained more fully in the Statement of the Responsibilities set out on page 21, the Executive Director of Finance is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Executive Director of Finance is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Pension Fund either intends to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement

when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

## Use of our report

This report is made solely to the members of Northamptonshire County Council (demised), as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Northamptonshire Pension Fund and the Northamptonshire County Council (demised) members as a body, for our audit work, for this report, or for the opinions we have formed.

Debbie Hanson  
Ernst & Young LLP

Debbie Hanson (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Luton  
22 November 2021

# Fund Account

| 31-Mar-19<br>£000   | Notes    | 31-Mar-20<br>£000  |
|---|----------|--------------------|
| <b>Dealings with members, employers and others directly involved in the fund:</b>                 |          |                    |
| (107,318) Contributions   | 7        | (112,663)          |
| (5,856) Transfers in from other pension funds   | 8        | (8,184)            |
| <b>(113,174)</b>  |          | <b>(120,847)</b>   |
| 89,696 Benefits   | 9        | 94,415             |
| 6,395 Payments to and on account of leavers   | 10       | 6,765              |
| <b>96,091</b>   |          | <b>101,180</b>     |
| <b>(17,083) Net (additions)/withdrawals from dealing with members</b>                             |          | <b>(19,667)</b>    |
| 10,100 Management Expenses  | 11       | 11,976             |
| <b>(6,983) Net (additions)/withdrawals including fund management expenses</b>                     |          | <b>(7,691)</b>     |
| <b>Returns on investments:</b>  |          |                    |
| (44,950) Investment income  | 13       | (41,123)           |
| 506 Taxes on income   |          | 230                |
| (133,266) (Profit) and losses on disposal of investments and changes in the value of investments  | 14a, 17b | 150,600            |
| <b>(177,710) Net return on investments</b>  |          | <b>109,707</b>     |
| <b>(184,693) Net (increase)/decrease in the net assets available for benefits during the year</b> |          | <b>102,016</b>     |
| (2,321,566) Opening net assets of the scheme  |          | (2,506,259)        |
| <b>(2,506,259) Closing net assets of the scheme</b>   |          | <b>(2,404,243)</b> |

Notes on pages 50 to 80 form part of the financial statements.

# Net Asset Statement

| 31-Mar-19        |   |       | 31-Mar-20        |
|------------------|---|-------|------------------|
| £000             |   | Notes | £000             |
| 2,490,931        | Investment assets   |       | 2,393,414        |
| (1,937)          | Investment liabilities  |       | (618)            |
| <b>2,488,994</b> | <b>Total net investments</b>  | 14    | <b>2,392,796</b> |
| 22,064           | Current assets  | 21    | 19,121           |
| (4,799)          | Current liabilities   | 22    | (7,674)          |
| <b>17,265</b>    | <b>Net Current Assets</b>   |       | <b>11,447</b>    |
| <b>2,506,259</b> | <b>Net assets of the Fund available to fund benefits at the end of the reporting period</b> | 17a   | <b>2,404,243</b> |

Notes on pages 50 to 80 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 2019-20 on pages 1 to 47 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.

As at 31 March 2020 there are 366 (2019: 367) active employers within the Northamptonshire Pension Fund, including the County Council itself.

|  | 31-Mar-19 | 31-Mar-20 |
|--|-----------|-----------|
| <b>Number of employers with active members</b> | 367       | 366       |

The Fund has over 69,000 individual members, as detailed below:

|                                       |                  |                  |
|---------------------------------------|------------------|------------------|
| <b>Number of employees in scheme:</b> | <b>31-Mar-19</b> | <b>31-Mar-20</b> |
| County Council                        | 8,049            | 8,120            |
| Other Employers                       | 14,585           | 13,804           |
| <b>Total</b>                          | <b>22,634</b>    | <b>21,924</b>    |

|                              |               |               |
|------------------------------|---------------|---------------|
| <b>Number of Pensioners:</b> |               |               |
| County Council               | 8,547         | 8,811         |
| Other Employers              | 7,597         | 7,892         |
| <b>Total</b>                 | <b>16,144</b> | <b>16,703</b> |

|                             |               |               |
|-----------------------------|---------------|---------------|
| <b>Deferred pensioners:</b> |               |               |
| County Council              | 13,724        | 14,059        |
| Other Employers             | 8,466         | 9,165         |
| <b>Total</b>                | <b>22,190</b> | <b>23,224</b> |

|                           |              |              |
|---------------------------|--------------|--------------|
| <b>Undecided Leavers:</b> |              |              |
| County Council            | 2,360        | 3,456        |
| Other Employers           | 2,922        | 4,484        |
| <b>Total</b>              | <b>5,282</b> | <b>7,940</b> |

|                      |               |               |
|----------------------|---------------|---------------|
| <b>Total members</b> | <b>66,250</b> | <b>69,791</b> |
|----------------------|---------------|---------------|

# 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 2020. 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  |
|-----------------|---|--|
| <b>Pension</b>  | Each year worked is worth $1/80 \times$ final pensionable salary.   | Each year worked is worth $1/60 \times$ final pensionable salary.  |
| <b>Lump Sum</b> | 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, disability pensions and death benefits. For more details, please refer to the Northamptonshire Pension Fund scheme handbook available from LGSS Pension Services based at One Angel Square, Angel Street, Northampton NN1 1ED. The Full Guide can also be found in the member section on the Pension's Fund website.

[LGSS Member - Pension Details](#)

## 2. BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2019-20 financial year and its position at year-end as at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts of the Pension Fund have also been prepared to meet the requirements of the Local Government Pension Scheme (Administration) Regulations 2013 and in accordance with the Statement of Recommended Practice on Financial Reports of Pension Schemes.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in Note 20. The Accounts have been prepared on a going concern basis.

# Notes to the Pension Fund Accounts (continued)

In carrying out its assessment, that it is appropriate to prepare the accounts on a going concern basis, management of the Pension Fund have considered the additional qualitative and quantitative key factors:

- The basis for preparation is supported by legislation for local authorities, and the Code requirements on the basis of the continuation of services;
- All employers within the fund are paying contributions as per the rates and adjustment certificate. It remains the Fund's expectation that employers will continue to pay their contributions.
- The Pension Fund has reviewed its cash flow forecast for the going concern period to 31 December 2022. The Pension Fund has sufficient cash liquidity to meet its payments without the need to sell any investments.
- Should the need arise, the Pension Fund has £2.07 billion of level 1 and 2 investment assets (84 % of the Fund) which are assets that could be liquidated at short notice to pay benefits.
- The Pension Fund does not have any external borrowing.

On this basis, the Pension Fund have a reasonable expectation that it will have adequate resources to continue in operational existence throughout the going concern period, which is at least 12 months from the date of authorisation of these accounts. For this reason, alongside the statutory guidance, we continue to adopt the going concern basis in preparing these financial statements.

## 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 55) 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.

#### Investment Income

##### *i) Interest income*

Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

##### *ii) Dividend income*

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

##### *iii) Distributions from pooled funds*

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

##### *iv) Movement in the net market value of investments*

Changes in the net market value of investments are recognised as income or expense and comprise all realised and unrealised profits/losses during the year.

# Notes to the Pension Fund Accounts (continued)

## Stock lending

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

## Fund Account – Expense Items

### Benefits Payable

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

### Investment Management Expenses (continued)

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 2019-20, £0.4m of fees are based upon such estimates (2018-19: £ 0.8m). In addition, manager fees deducted from pooled funds of £5.7m (2018-19: £1.5m) 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 Assets Statement

### Financial Assets

Financial assets are included in the Net Assets 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 Assets 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 assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

### 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 assets 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 an 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 assets statement (see Note 20).

### 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).

# Notes to the Pension Fund Accounts (continued)

## 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 assets statement but are disclosed by way of a narrative in the notes.

Paragraph 3.3.1.2. of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2019-20.

## 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 2020 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 £346m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £16m, and a 1 year increase in assumed life expectancy would increase the liability by approximately 3-5%.
- **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. There is a higher level of uncertainty for Private Equity as a result of the Covid-19 pandemic. The Fund is monitoring the situation closely and liaising regularly with its investment adviser to consider any necessary actions to respond.

**Effect if Actual Results Differ from Assumptions:** The total private equity investments in the financial statements are £192.6m. There is a risk that this investment may be under or overstated in the accounts.

# Notes to the Pension Fund Accounts (continued)

## • Property

**Uncertainties:** The ongoing Covid-19 pandemic has created uncertainty surrounding the valuation of illiquid asset values. This has impacted on the Pension Fund's investment in property funds where the professional valuer has advised that as at the 31 March 2020, there was material valuation uncertainty due to the uncertainty and volatility of market conditions caused by the impact of Covid-19. Therefore the valuation derived as at the 31 March 2020, as disclosed in Note 14, may be inaccurate to the true year-end position.

There is a risk that this investment may be under or overstated in the accounts.

## 6. EVENTS AFTER THE BALANCE SHEET DATE

Following the Covid-19 pandemic the Fund is monitoring investment performance closely and liaising regularly with its investment adviser to consider any necessary actions to respond. The Fund's investment return for 2019-20 was -4.7% pa, less than the actuary's target return for the Fund of +3.9% pa. However, as at 30 June 2021, the Fund has experienced growth of 26.5% compared to 31 March 2020 values. As at 30 June 2021 the investment assets of the fund were valued at £3,256 million (31 March 2020: £2,393 million).

The Pension Fund's latest formal actuarial valuation, as at 31 March 2019, showed it to be 93% funded. As at 30 June 2021 it is estimate the Fund's funding level has increased to 108%.

On 1<sup>st</sup> 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-19      |                                       | 31-Mar-20      |
|----------------|---------------------------------------|----------------|
| £000           |                                       | £000           |
| 21,479         | Employees' contributions              | 22,121         |
|                | <b>Employers' contributions:</b>      |                |
| 64,998         | Normal contributions                  | 65,520         |
| 20,841         | Deficit recovery contributions        | 25,022         |
| 85,839         | <b>Total employers' contributions</b> | <b>90,542</b>  |
| <b>107,318</b> |                                       | <b>112,663</b> |

### By authority:

| 31-Mar-19      |                         | 31-Mar-20      |
|----------------|-------------------------|----------------|
| £000           |                         | £000           |
| 33,133         | Administering Authority | 33,411         |
| 70,211         | Scheduled Bodies        | 72,349         |
| 3,974          | Admitted Bodies         | 6,903          |
| <b>107,318</b> |                         | <b>112,663</b> |

## 8. TRANSFERS IN FROM OTHER PENSION FUNDS

| 31-Mar-19    |                      | 31-Mar-20    |
|--------------|----------------------|--------------|
| £000         |                      | £000         |
| 5,856        | Individual transfers | 8,184        |
| -            | - Group transfers    | -            |
| <b>5,856</b> |                      | <b>8,184</b> |



# Notes to the Pension Fund Accounts (continued)

## 9. BENEFITS PAYABLE

### By category:

| 31-Mar-19   | 31-Mar-20     |
|---|---------------|
| £000  | £000          |
| 74,602 Pensions                                     | 77,701        |
| 13,014 Commutation and lump sum retirement benefits | 13,203        |
| 2,080 Lump sum death benefits                       | 3,511         |
| <b>89,696</b>                                       | <b>94,415</b> |

### By authority:

| 31-Mar-19                      | 31-Mar-20     |
|--------------------------------|---------------|
| £000                           | £000          |
| 39,184 Administering Authority | 41,281        |
| 42,926 Scheduled Bodies        | 47,160        |
| 7,586 Admitted Bodies          | 5,974         |
| <b>89,696</b>                  | <b>94,415</b> |

## 10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

| 31-Mar-19                              | 31-Mar-20    |
|--|--------------|
| £000                                   | £000         |
| 439 Refunds to members leaving service | 186          |
| (804) Group transfers                  | -            |
| 6,760 Individual transfers             | 6,579        |
| <b>6,395</b>                           | <b>6,765</b> |

The credit shown against group transfers 2018-2019 results from an over-estimate of a group transfer accrued in 2017-2018.

## 11. MANAGEMENT EXPENSES

| 31-Mar-19                            | 31-Mar-20     |
|--------------------------------------|---------------|
| £000                                 | £000          |
| 2,481 Administrative costs           | 1,967         |
| 6,890 Investment management expenses | 9,014         |
| 729 Oversight and governance costs   | 995           |
| <b>10,100</b>                        | <b>11,976</b> |

Fees payable to External Auditors, included within Oversight and Governance costs were £18.7k during the year (2018-19 £23k).

## 12. INVESTMENT MANAGEMENT EXPENSES

| 31-Mar-19                               | 31-Mar-20    |
|---|--------------|
| £000                                    | £000         |
| 4,585 Management fees                   | 5,418        |
| 804 Performance related management fees | 1,331        |
| 1,022 Transaction costs                 | 1,333        |
| 479 Other costs                         | 932          |
| <b>6,890</b>                            | <b>9,014</b> |

## 13. INVESTMENT INCOME

| 31-Mar-19  | 31-Mar-20     |
|--|---------------|
| £000   | £000          |
| 32,417 Income from equities                                    | 20,540        |
| 3,489 Pooled investments – unit trusts and other managed funds | 7,880         |
| 7,663 Pooled Property Investments                              | 10,439        |
| 782 Private equity/infrastructure income                       | 1,949         |
| 369 Interest on cash deposits                                  | 207           |
| 230 Other – securities lending income                          | 108           |
| <b>44,950</b>  | <b>41,123</b> |

# Notes to the Pension Fund Accounts (continued)

## 14. INVESTMENTS

| 31-Mar-19                                   | 31-Mar-20        |
|---|------------------|
| £000  | £000             |
| <b>Investment assets</b>                    |                  |
| - Bonds                                     | -                |
| 901,836 Equities                            | 160,255          |
| 1,281,981 Pooled investments                | 1,821,314        |
| 197,117 Pooled property investments         | 192,662          |
| 62,296 Private equity/infrastructure        | 192,596          |
| Derivative contracts:                       |                  |
| 7 • Forward currency contracts              | 24               |
| 41,726 Cash deposits                        | 23,975           |
| 4,539 Investment income due                 | 1,284            |
| 1,429 Amounts receivable for sales          | 1,303            |
| - Amounts receivable for pending spot FX    | 1                |
| <b>2,490,931 Total investment assets</b>    | <b>2,393,414</b> |
| <b>Investment liabilities</b>               |                  |
| Derivative contracts:                       |                  |
| (12) • Forward currency contracts           | -                |
| - • Amounts payable for pending spot FX     | -                |
| (1,925) Amounts payable for purchases       | (618)            |
| <b>(1,937) Total investment liabilities</b> | <b>(618)</b>     |
|   |                  |
| <b>2,488,994 Net investment assets</b>      | <b>2,392,796</b> |

# Notes to the Pension Fund Accounts (continued)

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

|   | Market value<br>01-Apr-19 | Purchases during<br>the year and<br>derivative<br>payments* | Sales during the<br>year and<br>derivative<br>receipts* | Change in<br>market value<br>during the year | Market value<br>31-Mar-20 |
|---|---------------------------|---|---|--|---------------------------|
|   | £000                      | £000  | £000  | £000   | £000                      |
| Equities <sup>1</sup>                             | 901,836                   | 356,422   | (1,008,905)   | (89,098)                                     | 160,255                   |
| Pooled investments <sup>1</sup>                   | 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                   |
|   | <b>2,443,230</b>          | <b>1,174,564</b>  | <b>(1,100,060)</b>                                      | <b>(150,907)</b>                             | <b>2,366,827</b>          |
| <b>Derivative contracts:</b>                      |                           |   |   |  |                           |
| • Forward Currency Contracts                      | (5)                       | 312   | (368)   | 85   | 24                        |
|   | <b>2,443,225</b>          | <b>1,174,876</b>  | <b>(1,100,428)</b>                                      | <b>(150,822)</b>                             | <b>2,366,851</b>          |
| <b>Other investment balances:*</b>                |                           |   |   |  |                           |
| • Cash deposits                                   | 41,726                    |   |   | 51   | 23,975                    |
| • Amount receivable for sales                     | 1,429                     |   |   | (9)  | 1,303                     |
| • Investment income due                           | 4,539                     |   |   | -  | 1,284                     |
| • Spot FX contracts                               | -                         |   |   | 169  | 1                         |
| • Amounts payable for purchases<br>of investments | (1,925)                   |   |   | 11   | (618)                     |
| <b>Net investment assets*</b>                     | <b>2,488,994</b>          |   |   | <b>(150,600)</b>                             | <b>2,392,796</b>          |

- 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.

<sup>1</sup>Equity 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(a). RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES (CONTINUED)

|   | Market value<br>01-Apr-18 | Purchases during<br>the year and<br>derivative<br>payments* | Sales during the<br>year and<br>derivative<br>receipts* | Change in<br>market value<br>during the year | Market value<br>31-Mar-19 |
|---|---------------------------|---|---|--|---------------------------|
|   | £000                      | £000  | £000  | £000   | £000                      |
| Equities  | 847,092                   | 192,571   | (174,125)   | 36,298                                       | 901,836                   |
| Pooled investments                                | 1,251,479                 | 1,242,612   | (1,293,638)   | 81,528                                       | 1,281,981                 |
| Pooled property investments                       | 165,615                   | 27,068  | (6,741)   | 11,175                                       | 197,117                   |
| Private equity/infrastructure                     | 17,370                    | 46,886  | (5,555)   | 3,595  | 62,296                    |
|   | <b>2,281,556</b>          | <b>1,509,137</b>  | <b>(1,480,059)</b>                                      | <b>132,596</b>                               | <b>2,443,230</b>          |
| <b>Derivative contracts:</b>                      |                           |   |   |  |                           |
| • Forward Currency Contracts                      | 3                         | 915   | (1,781)   | 858  | (5)                       |
|   | <b>2,281,559</b>          | <b>1,510,052</b>  | <b>(1,481,840)</b>                                      | <b>133,454</b>                               | <b>2,443,225</b>          |
| <b>Other investment balances:*</b>                |                           |   |   |  |                           |
| • Cash deposits                                   | 40,526                    |   |   | (173)  | 41,726                    |
| • Amount receivable for sales                     | 269                       |   |   | 7  | 1,429                     |
| • Investment income due                           | 3,280                     |   |   | -  | 4,539                     |
| • Spot FX contracts                               | (1)                       |   |   | (27)   | -                         |
| • Amounts payable for purchases<br>of investments | (3,548)                   |   |   | 5  | (1,925)                   |
| <b>Net investment assets*</b>                     | <b>2,322,085</b>          |   |   | <b>133,266</b>                               | <b>2,488,994</b>          |

\* Other investment balances and Net investment assets do not add across as purchases, sales and other movements (£5.2m) are not disclosed here, in accordance with CIPFA guidance.

# Notes to the Pension Fund Accounts (continued)

## 14(b). ANALYSIS OF INVESTMENTS

| 31-Mar-19<br>£000                         |  | 31-Mar-20<br>£000 |
|---|--|-------------------|
| <b>Equities</b>                           |  |                   |
| 525,394                                   | UK - Quoted                            | 141,476           |
| 376,442                                   | Overseas - Quoted                      | 18,779            |
| <b>901,836</b>                            |  | <b>160,255</b>    |
| <b>Pooled funds – additional analysis</b> |  |                   |
| 214,133                                   | UK - Fixed income                      | 259,670           |
| 43,058                                    | UK - Equity                            | 30,127            |
| 181,617                                   | Overseas - Fixed income                | 177,901           |
| 842,473                                   | Overseas - Equity                      | 1,351,379         |
| 700                                       | Overseas - Cash Fund                   | 2,237             |
| <b>1,281,981</b>                          |  | <b>1,821,314</b>  |
| 197,117                                   | Pooled property investments            | 192,662           |
| 62,296                                    | Private equity/ infrastructure         | 192,596           |
| <b>259,413</b>                            |  | <b>385,258</b>    |
| 7   | Derivatives                            | 24                |
| 41,726                                    | Cash deposits                          | 23,975            |
| 4,539                                     | Investment income due                  | 1,284             |
| 1,429                                     | Amounts receivable from sales          | 1,303             |
| -   | Amounts receivable for pending spot FX | 1                 |
| <b>47,701</b>                             |  | <b>26,587</b>     |
| <b>2,490,931</b>                          | <b>Total investment assets</b>         | <b>2,393,414</b>  |
| <b>Investment liabilities</b>             |  |                   |
| Derivative contracts:                     |  |                   |
| (12)                                      | • Forward currency contracts           | -                 |
| -   | • Amounts payable for pending spot FX  | -                 |
| (1,925)                                   | Amounts payable for purchases          | (618)             |
| <b>(1,937)</b>                            | <b>Total investment liabilities</b>    | <b>(618)</b>      |
| <b>2,488,994</b>                          | <b>Net investment assets</b>           | <b>2,392,796</b>  |

# Notes to the Pension Fund Accounts (continued)

## 14(c). INVESTMENTS ANALYSED BY FUND MANAGER

| Market value 31-Mar-19                                |   | Market value 31-Mar-20 |                            |
|---|---|------------------------|----------------------------|
| £000  | % of net investment assets                                  | £000                   | % of net investment assets |
| <b>Investments managed under Pooled Governance:</b>   |   |                        |                            |
| -   | 0.0 Link Fund Solutions                                     | 896,916                | 37.5                       |
| 777,553   | 31.2 UBS Global Asset Management                            | 733,306                | 30.6                       |
| <b>777,553</b>  | <b>31.2 Total Investments managed under Pool Governance</b> | <b>1,630,222</b>       | <b>68.1</b>                |
| <b>Investments managed outside Pooled Governance:</b> |   |                        |                            |
| 8,328   | 0.3 Adams Street Partners                                   | 19,523                 | 0.8                        |
| 11,114  | 0.5 Allianz Global Investors                                | 17,136                 | 0.7                        |
| 17,110  | 0.7 AMP Capital   | 35,162                 | 1.5                        |
| 303,421   | 12.2 Baillie Gifford & Co                                   | -                      | 0.0                        |
| 813   | 0.1 Catapult  | 330                    | 0.0                        |
| 195,249   | 7.9 CBRE Global Investment Partners                         | 193,621                | 8.1                        |
| 8,294   | 0.3 CBRE Debt   | 8,517                  | 0.4                        |
| 16,950  | 0.7 HarbourVest Partners (UK)                               | 29,380                 | 1.2                        |
| -   | 0.0 IFM Infrastructure                                      | 46,719                 | 2.0                        |
| 7,984   | 0.3 M&G Residential   | 44,347                 | 1.9                        |
| 277,083   | 11.1 Majedie Asset Management                               | 179,320                | 7.5                        |
| 401,110   | 16.1 Newton Investment Management                           | -                      | 0.0                        |
| 276,688   | 11.1 UBS Asset Management                                   | 253                    | 0.0                        |
| 181,617   | 7.3 Wellington Management                                   | 177,901                | 7.4                        |
| 5,680   | 0.2 Cash with custodian                                     | 10,365                 | 0.4                        |
| <b>1,711,441</b>                                      | <b>69 Total Investments managed outside Pool Governance</b> | <b>762,574</b>         | <b>31.9</b>                |
| <b>2,488,994</b>                                      | <b>100.0 Net investment assets</b>                          | <b>2,392,796</b>       | <b>100.0</b>               |

- 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 assets of the scheme as at 31<sup>st</sup> March 2020.

| Security  | 31-Mar-19      | % of total fund | 31-Mar-20        | % of total fund |
|---|----------------|-----------------|------------------|-----------------|
|   | £000           | %               | £000             | %               |
| Baillie Gifford Diversified Growth Fund                   | 303,441        | 12.1            | -                | 0.0             |
| LF ACCESS Baillie Gifford Diversified Growth Fund         |                |                 | 260,167          | 10.8            |
| UBS Asset Management Life Over 5 Year Index Linked Gilts  | 214,132        | 8.5             | 129,127          | 5.4             |
| UBS Asset Management Life Over 15 Year Index Linked Gilts |                |                 | 130,543          | 5.4             |
| LF ACCESS Global Equity - Newton Investment Management    |                |                 | 207,943          | 8.6             |
| LF ACCESS Baillie Gifford Long Term Global Growth Fund    |                |                 | 244,764          | 10.2            |
| LF ACCESS Longview Global Equity                          |                |                 | 184,042          | 7.6             |
|   | <u>517,573</u> |                 | <u>1,156,586</u> |                 |

## 14(d). STOCK LENDING

The Fund's Investment Strategy sets the parameters for the Fund's stock-lending programme. At 31 March 2020, the value of quoted equities on loan was £35.1m (31 March 2019: £110.3m). These equities continue to be recognised in the Fund's financial statements. Counterparty risk is managed through holding collateral at the Fund's custodian. At the year end the custodian held collateral at fair value of £37.6m (31 March 2019: £117.5m) representing 107% of stock lent. Collateral consists of acceptable securities and government debt.



# 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 2020 or 31 March 2019.

#### • Options

There were no outstanding option contracts at 31 March 2020 or 31 March 2019.

#### • 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<br>£000 |               | Currency<br>£000 | £000        | £000            |
| Up to one month                                  | GBP             | 747              | EUR           | (822)            | 19          | -               |
| One to six months                                | GBP             | 85               | EUR           | (91)             | 5           | -               |
|  |                 |                  |               |                  | -           | -               |
| <b>Total</b>                                     |                 |                  |               |                  | <b>24</b>   | <b>-</b>        |
| Net forward currency contracts at 31 March 2020  |                 |                  |               |                  |             | <b>24</b>       |
| <b>Prior Year Comparative</b>                    |                 |                  |               |                  |             |                 |
| Open forward currency contracts at 31 March 2019 |                 |                  |               |                  | <b>7</b>    | <b>(12)</b>     |
| Net forward currency contracts at 31 March 2019  |                 |                  |               |                  |             | <b>(5)</b>      |

# Notes to the Pension Fund Accounts (continued)

## 16. FAIR VALUE

### 16(a). FAIR VALUE HIERARCHY

#### 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.

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

| Values at 31 March 2020                                | Level 1<br>£000 | Level 2<br>£000  | Level 3<br>£000 | Total<br>£000    |
|--|-----------------|------------------|-----------------|------------------|
| Financial assets at fair value through profit and loss | 416,417         | 1,655,160        | 295,274         | 2,366,851        |
| <b>Total financial assets</b>                          | <b>416,417</b>  | <b>1,655,160</b> | <b>295,274</b>  | <b>2,366,851</b> |

| Values at 31 March 2019                                | Level 1<br>£000  | Level 2<br>£000 | Level 3<br>£000 | Total<br>£000    |
|--|------------------|-----------------|-----------------|------------------|
| Financial assets at fair value through profit and loss | 1,645,059        | 640,382         | 157,776         | 2,443,217        |
| <b>Total financial assets</b>                          | <b>1,645,059</b> | <b>640,382</b>  | <b>157,776</b>  | <b>2,443,217</b> |

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 2020.

| Asset Type          | Market Value as<br>at 31-Mar-20<br>£000 | Assessed<br>valuation range<br>(+/-) | Value on<br>Increase<br>£000 | Value on<br>Decrease<br>£000 |
|---------------------|---|--------------------------------------|------------------------------|------------------------------|
| Venture Capital     | 192,596                                 | 20.1%                                | 231,308                      | 153,884                      |
| Property Funds      | 102,678                                 | 14.2%                                | 117,258                      | 88,098                       |
| <b>Total Assets</b> | <b>295,274</b>                          |                                      | <b>348,566</b>               | <b>241,982</b>               |

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

| Period 2019-20  | Market value 01-<br>Apr-19<br>£000 | Transfers in/out<br>of Level 3<br>£000 | Purchases during<br>the year and<br>derivative<br>payments<br>£000 | Sales during the<br>year and<br>derivative<br>receipts<br>£000 | Unrealised<br>gains/(losses)<br>£000 | Realised<br>gains/(losses)<br>£000 | Market value<br>31-Mar-20<br>£000 |
|-----------------|------------------------------------|--|--|--|--------------------------------------|------------------------------------|-----------------------------------|
| Venture Capital | 54,312                             | 7,984                                  | 136,070  | (13,744)   | 7,311                                | 663                                | 192,596                           |
| Equities        | 208                                | -                                      | -  | -  | (208)                                | -                                  | -                                 |
| Property Funds  | 103,256                            | 190                                    | 19,195   | (6,546)  | (12,545)                             | (872)                              | 102,678                           |
| <b>Total</b>    | <b>157,776</b>                     | <b>8,174</b>                           | <b>155,265</b>   | <b>(20,290)</b>  | <b>(5,442)</b>                       | <b>(209)</b>                       | <b>295,274</b>                    |

Reclassification of Pooled property investments and on Infrastructure Fund 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 assets statement heading. No financial assets were reclassified during the year.

| 31-Mar-19  |                                     |  | 31-Mar-20  |                                     |  |
|--|-------------------------------------|--|--|-------------------------------------|--|
| Fair value<br>through profit<br>and loss<br>£000 | Assets at<br>amortised cost<br>£000 | Liabilities at<br>amortised cost<br>£000 | Fair value<br>through profit<br>and loss<br>£000 | Assets at<br>amortised cost<br>£000 | Liabilities at<br>amortised cost<br>£000 |
| <b>Financial assets</b>                          |                                     |  |  |                                     |  |
| 901,836  | -                                   | -  | Equities   | 160,255                             | -  |
| 1,281,981  | -                                   | -  | Pooled investments                               | 1,821,314                           | -  |
| 197,117  | -                                   | -  | Pooled property investments                      | 192,662                             | -  |
| 62,296   | -                                   | -  | Private equity/Infrastructure                    | 192,596                             | -  |
| 7  | -                                   | -  | Derivative contracts                             | 24                                  | -  |
| -  | 53,697                              | -  | Cash   | -                                   | 32,475                                   |
| -  | 5,968                               | -  | Other investment balances                        | -                                   | 2,588                                    |
| -  | 10,093                              | -  | Debtors  | -                                   | 10,621                                   |
| <b>2,443,237</b>                                 | <b>69,758</b>                       | <b>-</b>                                 | <b>2,366,851</b>                                 | <b>45,684</b>                       | <b>-</b>                                 |
| <b>Financial liabilities</b>                     |                                     |  |  |                                     |  |
| -  | -                                   | (12)                                     | Derivative contracts                             | -                                   | -  |
| -  | -                                   | (1,925)                                  | Other investment balances                        | -                                   | (618)                                    |
| -  | -                                   | (4,799)                                  | Creditors  | -                                   | (7,674)                                  |
| -  | -                                   | <b>(6,736)</b>                           | -  | -                                   | <b>(8,292)</b>                           |
| <b>2,443,237</b>                                 | <b>69,758</b>                       | <b>(6,736)</b>                           | <b>2,366,851</b>                                 | <b>45,684</b>                       | <b>(8,292)</b>                           |
| <b>2,506,259 Total</b>                           |                                     |  | <b>2,404,243</b>                                 |                                     |  |

# Notes to the Pension Fund Accounts (continued)

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

| 31-Mar-19<br>£000  | 31-Mar-20<br>£000 |
|--|-------------------|
| <b>Financial assets:</b>   |                   |
| 132,596 Fair value through profit and loss                         | (150,907)         |
| 12 Loans and receivables   | 180               |
| - Financial liabilities measured at amortised cost                 | -                 |
| <b>Financial liabilities:</b>                                      |                   |
| 858 Fair Value through profit and loss                             | 85                |
| (200) Amortised cost – realised losses on de-recognition of assets | 42                |
| - Amortised cost – unrealised losses                               | -                 |
| <b>133,266 Total gains/(losses)</b>                                | <b>(150,600)</b>  |

## 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 2019-20 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 +/-<br>(%p.a.) |
|------------------------------------|--|
| UK equities                        | 27.5%                                    |
| Overseas equities                  | 28.0%                                    |
| Global pooled equities             | 28.0%                                    |
| Index Linked Bonds                 | 5.8%                                     |
| Pooled fixed interest bonds        | 9.8%                                     |
| Property                           | 14.2%                                    |
| Alternatives                       | 20.1%                                    |
| Cash and Other investment balances | 0.3%                                     |



# 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:

| <b>31-Mar-20</b>                   | <b>Value as at</b> | <b>% (rounded)</b> | <b>Value on</b>  | <b>Value on</b>  |
|------------------------------------|--------------------|--------------------|------------------|------------------|
| <b>Asset Type</b>                  | <b>31-Mar-20</b>   | <b>Change</b>      | <b>Increase</b>  | <b>Decrease</b>  |
|                                    | <b>£000</b>        |                    | <b>£000</b>      | <b>£000</b>      |
| 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           |
| <b>Total Assets</b>                | <b>2,392,796</b>   |                    | <b>2,922,281</b> | <b>1,863,311</b> |

| <b>31-Mar-19</b>                   | <b>Value as at</b> | <b>% (rounded)</b> | <b>Value on</b>  | <b>Value on</b>  |
|------------------------------------|--------------------|--------------------|------------------|------------------|
| <b>Asset Type</b>                  | <b>31-Mar-19</b>   | <b>Change</b>      | <b>Increase</b>  | <b>Decrease</b>  |
|                                    | <b>£000</b>        |                    | <b>£000</b>      | <b>£000</b>      |
| UK equities                        | 568,452            | 16.6               | 662,815          | 474,089          |
| Overseas equities                  | 376,442            | 16.9               | 440,061          | 312,823          |
| Global pooled equities             | 539,032            | 16.9               | 630,129          | 447,936          |
| Diversified Growth Fund            | 303,441            | 12.5               | 341,371          | 265,511          |
| Index Linked Bonds                 | 214,133            | 7.2                | 229,550          | 198,715          |
| Pooled fixed interest bonds        | 181,617            | 10.5               | 200,687          | 162,547          |
| Property                           | 197,117            | 14.3               | 225,306          | 168,930          |
| Alternatives                       | 62,296             | 19.7               | 74,545           | 50,048           |
| Cash and Other investment balances | 46,464             | 0.5                | 46,697           | 46,232           |
| <b>Total Assets</b>                | <b>2,488,994</b>   |                    | <b>2,851,161</b> | <b>2,126,831</b> |

# 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 2020 and 31 March 2019 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-19      | Asset Type                | 31-Mar-20      |
|----------------|---------------------------|----------------|
| £000           |                           | £000           |
| 41,726         | Cash and cash equivalents | 23,975         |
| 11,970         | Cash balances             | 8,500          |
| 214,133        | Index-linked securities   | 259,670        |
| 181,617        | Fixed interest securities | 177,901        |
| <b>449,446</b> | <b>Total</b>              | <b>470,046</b> |

| Exposure to interest rate risk          | Asset values at<br>31-Mar-20<br>£000 | Impact of 1%<br>decrease<br>£000 | Impact of 1%<br>increase<br>£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                          |
| <b>Total change in assets available</b> | <b>470,046</b>                       | <b>474,422</b>                   | <b>465,670</b>                   |

| Exposure to interest rate risk          | Asset values at<br>31-Mar-19<br>£000 | Impact of 1%<br>decrease<br>£000 | Impact of 1%<br>increase<br>£000 |
|---|--------------------------------------|----------------------------------|----------------------------------|
| Cash and cash equivalents               | 41,726                               | 41,726                           | 41,726                           |
| Cash balances                           | 11,970                               | 11,970                           | 11,970                           |
| Index-linked securities                 | 214,133                              | 216,274                          | 211,991                          |
| Fixed interest securities               | 181,617                              | 183,433                          | 179,801                          |
| <b>Total change in assets available</b> | <b>449,446</b>                       | <b>453,403</b>                   | <b>445,488</b>                   |

# Notes to the Pension Fund Accounts (continued)

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

| Exposure to interest rate risk           | Interest<br>receivable<br>2018-19 | Value on 1%<br>increase | Value on 1%<br>decrease |
|--|-----------------------------------|-------------------------|-------------------------|
|  | £000                              | £000                    | £000                    |
| Cash deposits, cash and cash equivalents | 369                               | 373                     | 365                     |
| Index-linked securities                  | -                                 | -                       | -                       |
| Fixed interest securities                | 2,923                             | 2,952                   | 2,894                   |
| <b>Total</b>                             | <b>3,292</b>                      | <b>3,325</b>            | <b>3,259</b>            |

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.

During 2018-19 the Fund 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 10.0% (the 1 year expected standard deviation).

A 10.0% (31 March 2019: 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 10.0% 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<br>31-Mar-20<br>£000 | Potential<br>market<br>movement<br>£000 | Value on<br>increase<br>£000 | Value on<br>decrease<br>£000 |
|---------------------------------|-------------------------------|---|------------------------------|------------------------------|
| Overseas Equities - Hedged      | 240,460                       | -                                       | 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                        |
| <b>Total</b>                    | <b>1,550,296</b>              | <b>130,984</b>                          | <b>1,681,280</b>             | <b>1,419,312</b>             |

| Assets exposed to currency risk | Value at<br>31-Mar-19<br>£000 | Potential<br>market<br>movement<br>£000 | Value on<br>increase<br>£000 | Value on<br>decrease<br>£000 |
|---------------------------------|-------------------------------|---|------------------------------|------------------------------|
| Overseas Equities               | 1,218,915                     | 121,892                                 | 1,340,807                    | 1,097,024                    |
| Overseas Fixed Income           | 181,617                       | 18,162                                  | 199,779                      | 163,455                      |
| Overseas Cash Fund              | 700                           | 70                                      | 770                          | 630                          |
| <b>Total</b>                    | <b>1,401,232</b>              | <b>140,124</b>                          | <b>1,541,356</b>             | <b>1,261,109</b>             |

## 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 2020 was £32.5m (31 March 2019: £53.7m). This was held with the following institutions:-

|  | Rating   | 31-Mar-19<br>£000 | 31-Mar-20<br>£000 |
|--|----------|-------------------|-------------------|
| <b>Money market funds</b>                        |          |                   |                   |
| Northern Trust Global Investors Global Cash Fund | AAAF S1+ | 41,535            | 23,306            |
| UK Treasury Bills                                |          |                   |                   |
| <b>Bank deposit account</b>                      |          |                   |                   |
| Barclays Bank                                    | A        | 11,971            | 8,500             |
| <b>Bank current accounts</b>                     |          |                   |                   |
| Northern Trust custody accounts                  | A-1+     | 191               | 669               |
| <b>Total</b>                                     |          | <b>53,697</b>     | <b>32,475</b>     |

## 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 2020 the value of illiquid assets was £385.3m, which represented 16.1% of the total Fund assets (31 March 2019: £259.4m, which represented 10.4% 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 2020 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<br>Members | Active and Deferred<br>Members | Current<br>Pensioners | Current<br>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-19   | 31-Mar-20      |
|---|----------------|
| £m  | £m             |
| (3,892) Present value of promised retirement benefits | (3,436)        |
| 2,506 Fair value of scheme assets (bid value)         | 2,404          |
| <b>(1,386) Net liability</b>                          | <b>(1,032)</b> |

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.

Note that the above figures include allowance for the "McCloud ruling", i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes.

### Assumptions Used

| 31-Mar-19 | Assumption                                 | 31-Mar-20 |
|-----------|--|-----------|
| % p.a.    |  | % p.a.    |
| 2.5       | Inflation/pension increase rate assumption | 1.9       |
| 2.8       | Salary increase rate                       | 2.4       |
| 2.4       | Discount rate                              | 2.3       |

# Notes to the Pension Fund Accounts (continued)

## 21. CURRENT ASSETS

| 31-Mar-19       |                               | 31-Mar-20     |
|-----------------|-------------------------------|---------------|
| £000            |                               | £000          |
| <b>Debtors:</b> |                               |               |
| 1,563           | Contributions due – members   | 1,619         |
| 5,767           | Contributions due – employers | 5,704         |
| 2,763           | Other debtors                 | 3,298         |
| <b>10,093</b>   |                               | <b>10,621</b> |
|                 |                               |               |
| 11,971          | Cash balances                 | 8,500         |
| <b>11,971</b>   |                               | <b>8,500</b>  |
| <b>22,064</b>   |                               | <b>19,121</b> |

## 22. CURRENT LIABILITIES

| 31-Mar-19    |                  | 31-Mar-20    |
|--------------|------------------|--------------|
| £000         |                  | £000         |
| 543          | Benefits payable | 1,672        |
| 4,256        | Other creditor   | 6,002        |
| <b>4,799</b> |                  | <b>7,674</b> |

## 23. ADDITIONAL VOLUNTARY CONTRIBUTIONS

| 31-Mar-19    |               | 31-Mar-20    |
|--------------|---------------|--------------|
| £000         |               | £000         |
| 4,863        | Prudential    | 4,880        |
| 655          | Standard Life | 705          |
| <b>5,518</b> |               | <b>5,585</b> |

## 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-19    |                   | 31-Mar-20    |
|--------------|-------------------|--------------|
| £000         |                   | £000         |
| 2,552        | Unfunded pensions | 2,570        |
| <b>2,552</b> |                   | <b>2,570</b> |

Unfunded pensions have increased due to a reconciliation project carried out in 2019-20.

# 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 £2.0m (2018-19: £1.8m) 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 £26.9m of employer's contributions to the Fund in 2019-20 (2018-19: £25.9m). At 31 March 2020 there was £681k due to the Fund by the Council (31 March 2019: £150k was due to the Council by the Fund).

### 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 LGSS Pensions which is a shared service arrangement between Northamptonshire County Council and Cambridgeshire County Council. The Head of Pensions in the shared service unit reports directly to the Managing Director of LGSS, 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 Interim Managing Director of LGSS, 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 LGSS the proportion of costs relating to these services to the Fund.

## 26. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments at 31 March 2020 totalled £196.9m (31 March 2019: £252.6m).

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

Fifteen 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** ACCESS 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.

**CONTRACT NOTE** The documentary record of a trade which is sent from the broker to the investor.

**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.

# Glossary (Continued)

**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.

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

**EARNINGS PER SHARE (EPS)** The net (after tax) profits of a company divided by the number of ordinary shares in issue. This is used as the 'E' term in the P/E ratio to value shares.

**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.

**HEDGE FUND** A limited partnership with very little restriction on the scope of its investment. Usually quoted in Luxembourg or Dublin. Hedge funds often use borrowing to gear up exposure to markets.

**IAS** International Accounting Standards

**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

**LGSS** A partnership between Cambridgeshire and Northamptonshire County Councils to create a wholly owned public sector organisation to deliver professional and transactional support services.

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

**LPB** Local Pension Board.

# Glossary (Continued)

**MARKET CAPITALISATION** For an individual stock it is the value of all shares held in the equity of the company. For a market or index it is the total of all the market caps of the constituent companies.

**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.

**PENSIONS 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.

**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.

**RIGHTS ISSUE** A new issue of shares offered to existing shareholders in proportion to their existing holdings. Usually offered at a discount to entice take-up, which causes the existing shares to fall in value to the theoretical ex-rights price.

**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.

**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.

**TRUST** Investments are owned by trustees for the underlying beneficial owners. A unit trust is a trust, incorporated under a trust deed. An investment trust is a company, not a trust.

**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.

**WARRANTS** Long dated options warrants give the holder the right to buy/sell a specified quantity of a particular stock, or any other asset, at a fixed price on or before a specified date.