



**Northamptonshire Pension Fund**  
**Statement of Accounts**  
**Year Ended 31st March 2023**

# Audit Opinion

# Audit Opinion

# Fund Account

31-Mar-22			31-Mar-23
£000		Notes	£000
<b>Dealings with members, employers and others directly involved in the fund:</b>			
-122,777	Contributions	Note 7	-130,100
-12,203	Transfers in from other pension funds	Note 8	-16,937
<b>-134,980</b>			<b>-147,037</b>
103,413	Benefits	Note 9	105,500
9,696	Payments to and on account of leavers	Note 10	10,648
<b>113,109</b>			<b>116,148</b>
<b>-21,871</b>	<b>Net (additions)/withdrawals from dealing with members</b>		<b>-30,889</b>
15,964	Management expenses	Note 11	16,615
<b>-5,907</b>	<b>Net (additions)/withdrawals including fund management expenses</b>		<b>-14,274</b>
<b>Returns on investments:</b>			
-28,920	Investment income	Note 13	-34,027
0	Taxes on income		0
-229,429	(Profit) and losses on disposal of investments and changes in the value of investments	Notes 14a and 17b	166,048
<b>-258,349</b>	<b>Net return on investments</b>		<b>132,021</b>
<b>-264,256</b>	<b>Net (increase)/decrease in the net assets available for benefits during the year</b>		<b>117,747</b>
-3,103,490	Opening net assets of the scheme		-3,367,746
<b>-3,367,746</b>	<b>Closing net assets of the scheme</b>		<b>-3,249,999</b>

Notes on pages 51 to 82 form part of the financial statements.

# Net Asset Statement

31-Mar-22 £000		Notes	31-Mar-23 £000
3,357,279	Investment assets		3,234,160
-2,521	Investment liabilities		0
<b>3,354,758</b>	<b>Total net investments</b>	Note 14	<b>3,234,160</b>
18,564	Current assets	Note 21	21,634
-5,576	Current liabilities	Note 22	-5,795
<b>12,988</b>	<b>Net current assets</b>		<b>15,839</b>
<b>3,367,746</b>	<b>Closing net assets of the scheme</b>	Note 17a	<b>3,249,999</b>

Notes on pages 51 to 82 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 Pension Fund is part of the Local Government Pension Scheme (LGPS) and is administered by West Northamptonshire Council. The 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 2022-23 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 Local Government Pension Scheme (Amendment) Regulations 2018.

The Fund is a contributory defined benefit pension scheme administered by West Northamptonshire Council to provide pensions and other benefits for pensionable employees of West Northamptonshire Council 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 Pension Committee, which is a committee of West Northamptonshire Council.

### Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Organisations participating in the Northamptonshire Pension Fund include:

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

- Admitted bodies - other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.
- Resolution/Designated bodies – These are organisations that can admit their employees to the LGPS by passing their resolution (nominate employees for access to the LGPS) Parish/Town Council are under this category.

As at 31 March 2023 there are 325 (2022: 318) active employers within the Northamptonshire Pension Fund, including the Council itself.

	31-Mar-22	31-Mar-23
<b>Number of employers with active members</b>	318	325

The Fund has over 80,000 individual members, as detailed below:

<b>Number of employees in scheme:</b>	31-Mar-22	31-Mar-23
Administering Authority	5,010	5,309
Other employers	19,045	18,640
<b>Total</b>	<b>24,055</b>	<b>23,949</b>
<b>Number of pensioners:</b>		
Administering Authority	9,002	7,775
Other employers	8,703	10,639
<b>Total</b>	<b>17,705</b>	<b>18,414</b>
<b>Deferred pensioners:</b>		
Administering Authority	13,688	10,112
Other employers	10,938	17,740
<b>Total</b>	<b>24,626</b>	<b>27,852</b>
<b>Undecided leavers:</b>		
Administering Authority	3,986	2,695
Other employers	6,147	7,814
<b>Total</b>	<b>10,133</b>	<b>10,509</b>
<b>Total members</b>	<b>76,519</b>	<b>80,724</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 2023. Employers' contributions are set as part of the triennial actuarial funding valuation. The last such valuation was at 31 March 2022. Employers' contributions comprise a percentage rate on active payroll between 1.2% and 35.2% 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 x final pensionable salary.	Each year worked is worth 1/60 x 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, ill health pensions and death benefits. For more details, please refer to the Full Guide which can be found in the member section on the Pension's Fund website. [Member - Pension Details](#)

## 2. BASIS OF PREPARATION

The statement of accounts summarises the fund's transactions for the 2022-23 financial year and its financial position at 31 March 2023. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2022-23* (the Code), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits that 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.

# Notes to the Pension Fund Accounts (continued)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Fund Account – Revenue Recognition

#### Contribution Income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the actuary in the payroll period to which they relate. Employer deficit funding contributions are accounted for on the due date on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date. Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in the year but unpaid will be classed as a current financial asset.

#### 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 80) to purchase scheme benefits are accounted for on an accruals basis and are included in Transfers In (see Note 8). Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement. There have been no group transfers in during 2021-22 and 2022-23.

#### Investment Income

##### *i) Interest income*

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

##### *ii) Dividend income*

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

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

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

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

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

### Fund Account – Expense Items

#### Benefits Payable

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

#### Taxation

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



# Notes to the Pension Fund Accounts (continued)

## 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 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. The costs of obtaining legal and consultancy advice are charged direct to the Fund. The cost of the Pool are charged direct to the Fund.

## Investment Management Expenses

Investment Management expenses are accounted for on an accruals basis.

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

Where an Investment Manager's fee note has not been received by the year end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund Account. In 2022-23, £107K of fees are based upon such estimates (2021-22: £ 0.1m). In addition, manager fees deducted from pooled funds of £12.9m (2021-22: £12.5m) are based upon information received from fund managers.

## Net Asset Statement

### Financial Assets

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

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

Investment assets, other than cash held by Investment Managers on the Fund's behalf, are initially recognised at fair value and are subsequently measured at fair value with gains and losses recognised in the Fund Account. The values of investments as shown in the Net Asset Statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

### Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

# Notes to the Pension Fund Accounts (continued)

## 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). Purchases and sales of derivatives are recognised as follows:

Forward currency contracts settlements are reported as gross receipts and payments.

## Cash and Cash Equivalents

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

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

## Financial Liabilities

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

## Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on 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 Asset 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. AVCs are deducted from the individual member's pay and paid to the AVC

provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts, in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, but are disclosed as a note only (see Note 23).

## Contingent Assets and Liabilities

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

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

Contingent assets and liabilities are not recognised in the Net Asset Statement but are disclosed by way of a narrative in the notes.

# Notes to the Pension Fund Accounts (continued)

## 4. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

It has not been necessary to make any material critical judgements in applying the accounting policies in 2022-23.

## 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 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

### 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 (disclosure only).

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.

## 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.

- **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 (disclosure only).
- **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 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £57m. A 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £4m, and a 1 year increase in assumed life expectancy would increase the liabilities by approximately £125m.

# Notes to the Pension Fund Accounts (continued)

## Private Equity

- **Uncertainties:** All private equity investments are valued at fair value. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. See Note 16a.
- **Effect if Actual Results Differ from Assumptions:** Total private equity investments at fair value in the financial statements are £243.0m. There is a risk that this investment may be under or overstated in the accounts. Note 18 gives a price sensitivity of Private Equity of 31.2%, which indicates that private equity values may range from £167.2m to £318.8m.

## Infrastructure

- **Uncertainties:** All infrastructure investments are valued at fair value. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. See Note 16a.
- **Effect if Actual Results Differ from Assumptions:** Total infrastructure investments at fair value in the financial statements are £222.2m. There is a risk that this investment may be under or overstated in the accounts. Note 18 gives a price sensitivity infrastructure investments of 14.7%, which indicates that infrastructure values may range from £189.5m to £254.8m.

## Property

- **Uncertainties:** Valuation techniques are used to determine the carrying amount of pooled property funds. Where possible management uses the best available data. Uncertainties including changes in rental growth, covenant strength for existing tenancies, discount rate could affect the fair value of the property investments.
- **Effect if Actual Results Differ from Assumptions:** Total property investments in the financial statements are £201.1m. There is a risk that

this investment may be under or overstated in the accounts. Note 18 gives a price sensitivity pooled property investments of 15.5%, which indicates that infrastructure values may range from £170.0m to £232.3m

## 6. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events since 31 March 2023, and up to the date when these accounts were authorised that require any adjustments to these accounts.

## 7. CONTRIBUTIONS RECEIVABLE

### By category:

31-Mar-22		31-Mar-23
£000		£000
24,668	Employees' contributions	26,864
	Employers' contributions:	
77,111	Normal contributions	81,859
20,998	Deficit recovery contributions	21,377
98,109	Total employers' contributions	103,236
122,777		130,100

### By authority:

31-Mar-22		31-Mar-23
£000		£000
28,695	Administering authority	27,856
90,886	Scheduled bodies	99,313
3,196	Admitted bodies	2,931
122,777		130,100

## 8. TRANSFERS IN FROM OTHER PENSION FUNDS

31-Mar-22		31-Mar-23
£000		£000
12,203	Individual transfers	16,937
12,203		16,937

# Notes to the Pension Fund Accounts (continued)

## 9. BENEFITS PAYABLE

By category:

31-Mar-22		31-Mar-23
£000		£000
83,863	Pensions	88,236
16,665	Commutation and lump sum retirement benefits	14,282
2,885	Lump sum death benefits	2,982
<b>103,413</b>		<b>105,500</b>

By authority:

31-Mar-22		31-Mar-23
£000		£000
24,072	Administering authority	24,355
72,151	Scheduled bodies	73,630
7,190	Admitted bodies	7,515
<b>103,413</b>		<b>105,500</b>

## 10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

31-Mar-22		31-Mar-23
£000		£000
676	Refunds to members leaving service	546
9,020	Individual transfers	10,102
<b>9,696</b>		<b>10,648</b>

## 11. MANAGEMENT EXPENSES

31-Mar-22		31-Mar-23
£000		£000
2,268	Administrative costs	2,483
12,884	Investment management expenses	13,221
812	Oversight and governance costs*	911
<b>15,964</b>		<b>16,615</b>

\*Base fees payable to External Auditors, included within Oversight and Governance costs were £55k during the year (2021-22 £51k).

# Notes to the Pension Fund Accounts (continued)

## 12. INVESTMENT MANAGEMENT EXPENSES

2022/23	Management Fees	Performance Related Fees	Transaction Costs	Other Costs	Total
	£000	£000	£000	£000	£000
Pooled investments	6,403	0	8	410	6,821
Pooled property investments	442	0	451	153	1,046
Private equity/infrastructure	2,947	1,778	0	603	5,328
Custody	0	0	0	26	26
<b>Total</b>	<b>9,792</b>	<b>1,778</b>	<b>459</b>	<b>1,192</b>	<b>13,221</b>

2021/22	Management Fees	Performance Related Fees	Transaction Costs	Other Costs	Total
	£000	£000	£000	£000	£000
Pooled investments	6,546	0	0	398	6,944
Pooled property investments	392	0	398	473	1,263
Private equity/infrastructure	2,288	2,015	0	362	4,665
Custody	0	0	0	12	12
<b>Total</b>	<b>9,226</b>	<b>2,015</b>	<b>398</b>	<b>1,245</b>	<b>12,884</b>

## 13. INVESTMENT INCOME

31-Mar-22	31-Mar-23
£000	£000
19 Income from equities	29
14,261 Pooled investments – unit trusts and other managed funds	20,542
7,927 Pooled property investments	8,553
6,694 Private equity/infrastructure income	3,956
19 Interest on cash deposits	947
<b>28,920</b>	<b>34,027</b>

# Notes to the Pension Fund Accounts (continued)

## 14. INVESTMENTS

31-Mar-22		31-Mar-23
£000		£000
	<b>Investment assets</b>	
	Pooled investments	
321,249	• UK Equity Funds	329,402
1,499,989	• Global Equity Funds	1,420,172
327,080	• Index Linked Bonds	268,056
311,757	• Multi Asset Credit Funds	311,629
221,650	• Diversified Growth Funds	202,763
217	• Cash Funds	2,210
249,167	Pooled property investments	201,130
187,426	Private equity	242,990
201,861	Infrastructure	222,154
36,374	Cash deposits	33,339
509	Investment income due	315
<b>3,357,279</b>	<b>Total investment assets</b>	<b>3,234,160</b>
	<b>Investment liabilities</b>	
-2,521	Amounts payable for purchases	0
<b>-2,521</b>	<b>Total investment liabilities</b>	<b>0</b>
<b>3,354,758</b>	<b>Net investment assets</b>	<b>3,234,160</b>

# Notes to the Pension Fund Accounts (continued)

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

	Market value 01-Apr-22 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Market value 31-Mar-23 £000
Pooled investments	2,681,942	69,931	-65,033	-152,608	2,534,232
Pooled property investments	249,167	643	-4,806	-43,874	201,130
Private equity	187,426	56,159	-17,506	16,911	242,990
Infrastructure	201,861	13,447	-7,504	14,350	222,154
	<b>3,320,396</b>	<b>140,180</b>	<b>-94,849</b>	<b>-165,221</b>	<b>3,200,506</b>
<b>Derivative contracts:</b>					
• Forward currency contracts	0	4	-2	-2	0
	<b>3,320,396</b>	<b>140,184</b>	<b>-94,851</b>	<b>-165,223</b>	<b>3,200,506</b>
<b>Other investment balances:</b>					
• Cash deposits	36,374				33,339
• Amount receivable for sales	0				0
• Investment income due	509				315
• Spot FX contracts	0				0
• Amounts payable for purchases of investments	-2,521				0
<b>Net investment assets</b>	<b>3,354,758</b>				<b>3,234,160</b>



# Notes to the Pension Fund Accounts (continued)

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

	Market value 01-Apr-21	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31-Mar-22
	£000	£000	£000	£000	£000
Equities	17	0	-3	-14	0
Pooled investments	2,544,031	42,856	-31,750	126,805	2,681,942
Pooled property investments	185,516	36,836	-10,947	37,762	249,167
Private equity	113,353	44,527	-22,635	52,181	187,426
Infrastructure	196,471	2,402	-9,655	12,643	201,861
	<b>3,039,388</b>	<b>126,621</b>	<b>-74,990</b>	<b>229,377</b>	<b>3,320,396</b>
<b>Derivative contracts:</b>					
• Forward currency contracts	0	1	-2	1	0
	<b>3,039,388</b>	<b>126,622</b>	<b>-74,992</b>	<b>229,378</b>	<b>3,320,396</b>
<b>Other investment balances:*</b>					
• Cash deposits	51,483				36,374
• Amount receivable for sales	530				0
• Investment income due	484				509
• Spot FX contracts	0				0
• Amounts payable for purchases of investments	-390				-2,521
<b>Net investment assets*</b>	<b>3,091,495</b>				<b>3,354,758</b>

# Notes to the Pension Fund Accounts (continued)

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

Market value 31-Mar-22		Market value 31-Mar-23	
£000	% of net investment assets	£000	% of net investment assets
<b>Investments managed under Pooled Governance:</b>			
1,493,631	44	1,480,060	46
1,030,982	31	904,078	28
<b>2,524,613</b>	<b>75</b>	<b>2,384,138</b>	<b>74</b>
<b>Investments managed outside Pooled Governance:</b>			
82,254	2	107,325	3
17,134	1	12,575	0
34,709	1	35,752	1
157,117	5	147,905	5
540	0	585	0
248,485	7	212,534	7
104,633	3	135,080	4
58,329	2	67,556	2
44,683	1	59,492	2
60,810	2	60,842	2
21,451	1	10,376	0
<b>830,145</b>	<b>25</b>	<b>850,022</b>	<b>26</b>
<b>3,354,758</b>	<b>100</b>	<b>3,234,160</b>	<b>100</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 Asset Statement of the scheme as at 31<sup>st</sup> March 2023.

Security	31-Mar-22	% of total fund	31-Mar-23	% of total fund
	£000	%	£000	%
LF ACCESS UK Equity - Liontrust	293,857	9	301,193	9
LF ACCESS Baillie Gifford Diversified Growth Fund	221,650	7	195,631	6
UBS Asset Management Life Over 5 Year Index Linked Gilts	327,080	10	268,056	8
LF ACCESS M&G Alpha Opportunities Fund	n/a	n/a	163,724	5
LF ACCESS Global Equity - Newton Investment Management	313,721	9	313,842	10
LF ACCESS Baillie Gifford Long Term Global Growth Fund	223,255	7	202,763	6
LF ACCESS Longview Global Equity	286,508	9	302,907	9
	<b>1,666,071</b>		<b>1,748,116</b>	

# 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 2023 or 31 March 2022.

#### • Options

There were no outstanding option contracts at 31 March 2023 or 31 March 2022.

#### • 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 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		Currency		
One to six months	GBP	43,695	EUR	-49,675	0	0
<b>Total</b>					<b>0</b>	<b>0</b>
Net forward currency contracts at 31 March 2023						<b>0</b>
<b>Prior year comparative</b>						
Open forward currency contracts at 31 March 2022						<b>0</b>
Net forward currency contracts at 31 March 2022						<b>0</b>

# Notes to the Pension Fund Accounts (continued)

## 16. FAIR VALUE

### Valuation of Financial Instruments Carried at Fair Value

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur. The Fund has adopted the classification guidelines recommended in the Practical Guidelines on Investment Disclosures (PRAG/Investment Association, 2016).

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

**Level 2** Assets and liabilities at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value. The price used is based upon inputs from observable market data.

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

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which the Northamptonshire Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines 2022, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

### 16(a). FAIR VALUE HIERARCHY

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

Values at March 2023	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	£000	£000	£000	£000
Pooled investments	2,210	2,532,022	0	2,534,232
Pooled property investments	0	0	201,130	201,130
Private equity	0	0	242,990	242,990
Infrastructure	0	0	222,154	222,154
Cash and Cash Equivalents	33,339	0	0	33,339
<b>Net investment assets</b>	<b>35,549</b>	<b>2,532,022</b>	<b>666,274</b>	<b>3,233,845</b>

Values at March 2022	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	£000	£000	£000	£000
Pooled investments	217	2,681,725	0	2,681,942
Pooled property investments	0	0	249,167	249,167
Private equity	0	0	187,426	187,426
Infrastructure	0	0	201,861	201,861
Cash and Cash Equivalents	36,327	0	0	36,327
<b>Net investment assets</b>	<b>36,544</b>	<b>2,681,725</b>	<b>638,454</b>	<b>3,356,723</b>

# 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
<b>Cash and cash equivalents</b>	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
<b>Pooled Investments</b>	Level 2	Net Asset Value / Bid Market Price.	Evaluated price feeds	Not required
<b>Pooled Investments</b>	Level 2	Average of broker prices.	Evaluated price feeds	Not required
<b>Forward Foreign exchange derivatives</b>	Level 2	Market forward exchange rates at theyear-end	Exchange rate risk	Not required
<b>Property</b>	Level 3	Valued by investment managers on a fair value basis each year using PRAG guidance	NAV-based pricing set on a forward pricing basis	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts
<b>Private Equity</b>	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's Special Valuation Guidance (March 2020)	Price Earnings or EBITDA multiple	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts
<b>Infrastructure</b>	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2022 and the IPEV Board's Special Valuation Guidance (March 2020)	Price Earnings or EBITDA multiple	Valuations could be affected by changes to expected cashflows or by 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 2023.

Asset Type	Market Value as at 31-Mar-23	Assessed valuation range	Value on Increase	Value on Decrease
	£000	% (+/-)	£000	£000
Private equity	242,990	31.2	318,803	167,177
Infrastructure	222,154	14.7	254,811	189,497
Property funds	201,130	15.5	232,305	169,955
<b>Total Assets</b>	<b>666,274</b>		<b>805,919</b>	<b>526,629</b>

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

Period 2022-23	Market value 01- Apr-22	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses)	Realised gains/(losses)	Market value 31-Mar-23
	£000	£000	£000	£000	£000	£000
Private Equity	187,426	56,159	-17,506	10,994	5,917	242,990
Infrastructure	201,861	13,447	-7,504	14,370	-20	222,154
Property funds	249,167	643	-4,806	-43,456	-418	201,130
<b>Total</b>	<b>638,454</b>	<b>70,249</b>	<b>-29,816</b>	<b>-18,092</b>	<b>5,479</b>	<b>666,274</b>

# Notes to the Pension Fund Accounts (continued)

## 17. FINANCIAL INSTRUMENTS

### 17(a). CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

31-Mar-22			31-Mar-23		
Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
£000	£000	£000	£000	£000	£000
<b>Financial assets</b>					
2,681,942	0	0	2,534,232	0	0
249,167	0	0	201,130	0	0
187,426	0	0	242,990	0	0
201,861		0	222,154		
0	0	0	0	0	0
36,327	8,706	0	33,339	14,109	0
0	509	0	0	315	0
0	9,905	0	0	7,525	0
<b>3,356,723</b>	<b>19,120</b>	<b>0</b>	<b>3,233,845</b>	<b>21,949</b>	<b>0</b>
<b>Financial liabilities</b>					
0	0	0	0	0	0
0	0	-2,521	0	0	0
0	0	-5,576	0	0	-5,795
<b>0</b>	<b>0</b>	<b>-8,097</b>	<b>0</b>	<b>0</b>	<b>-5,795</b>
<b>3,356,723</b>	<b>19,120</b>	<b>-8,097</b>	<b>3,233,845</b>	<b>21,949</b>	<b>-5,795</b>
<b>3,367,746</b>			<b>Total</b>		
			<b>3,249,999</b>		



# Notes to the Pension Fund Accounts (continued)

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

31-Mar-22		31-Mar-23
£000		£000
<b>Financial assets:</b>		
229,377	Fair value through profit and loss	-165,221
99	Loans and receivables	-747
<b>Financial liabilities:</b>		
1	Fair Value through profit and loss	-2
-48	Loans and receivables	-78
<b>229,429</b>	<b>Total gains/(losses)</b>	<b>-166,048</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 2022-23 reporting period. The potential price changes disclosed above are broadly consistent with one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment Advisors most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset Type	Potential Market Movement +/- (%p.a.)
UK pooled equities	18.2
Global pooled equities	19.0
Index linked bonds	7.2
Multi asset credit	7.8
Diversified growth	8.9
Property	15.5
Private Equity	31.2
Infrastructure	14.7
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-23</b>	<b>Value as at</b>	<b>% (rounded)</b>	<b>Value on</b>	<b>Value on</b>
<b>Asset Type</b>	<b>31-Mar-23</b>	<b>Change</b>	<b>Increase</b>	<b>Decrease</b>
	<b>£000</b>		<b>£000</b>	<b>£000</b>
UK pooled equities	329,402	18.2	389,353	269,451
Global pooled equities	1,420,172	19.0	1,690,005	1,150,339
Index linked bonds	268,056	7.2	287,356	248,756
Multi asset credit	311,629	7.8	335,936	287,322
Diversified growth	202,763	8.9	220,809	184,717
Property	201,130	15.5	232,305	169,955
Private Equity	242,990	31.2	318,803	167,177
Infrastructure	222,154	14.7	254,811	189,497
Cash and other investment balances	35,864	0.3	35,972	35,756
<b>Total Assets</b>	<b>3,234,160</b>		<b>3,765,350</b>	<b>2,702,970</b>

<b>31-Mar-22</b>	<b>Value as at</b>	<b>% (rounded)</b>	<b>Value on</b>	<b>Value on</b>
<b>Asset Type</b>	<b>31-Mar-22</b>	<b>Change</b>	<b>Increase</b>	<b>Decrease</b>
	<b>£000</b>		<b>£000</b>	<b>£000</b>
UK pooled equities	321,249	19.9	385,178	257,320
Global pooled equities	1,499,989	20.1	1,801,487	1,198,491
Index linked bonds	327,080	7.3	350,957	303,203
Multi asset credit	311,757	7.4	334,827	288,687
Diversified growth	221,650	9.1	241,820	201,480
Property	249,167	15.0	286,542	211,792
Private Equity	187,426	31.2	245,903	128,949
Infrastructure	201,861	13.3	228,709	175,013
Cash and other investment balances	34,579	0.3	34,683	34,475
<b>Total Assets</b>	<b>3,354,758</b>		<b>3,910,106</b>	<b>2,799,410</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 2023 and 31 March 2022 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-22 Asset Type £000	31-Mar-23 £000
327,080 Index linked bonds	268,056
311,757 Multi asset credit	311,629
<b>638,837 Total</b>	<b>579,685</b>

Exposure to interest rate risk	Asset values at 31-Mar-23 £000	Impact of 1% decrease £000	Impact of 1% increase £000
Index linked bonds	268,056	270,737	265,375
Multi asset credit	311,629	314,745	308,513
<b>Total change in assets available</b>	<b>579,685</b>	<b>585,482</b>	<b>573,888</b>

Exposure to interest rate risk	Asset values at 31-Mar-22 £000	Impact of 1% decrease £000	Impact of 1% increase £000
Index-linked securities	327,080	330,351	323,809
Multi asset credit	311,757	314,875	308,639
<b>Total change in assets available</b>	<b>638,837</b>	<b>645,226</b>	<b>632,448</b>

# Notes to the Pension Fund Accounts (continued)

Exposure to interest rate risk	Interest receivable	Value on 1% increase	Value on 1% decrease
	2022-23		
	£000	£000	£000
Cash deposits, cash and cash equivalents	947	956	938
Multi asset credit	3,020	3,050	2,990
<b>Total</b>	<b>3,967</b>	<b>4,006</b>	<b>3,928</b>

Exposure to interest rate risk	Interest receivable	Value on 1% increase	Value on 1% decrease
	2021-22		
	£000	£000	£000
Cash deposits, cash and cash equivalents	19	19	19
Multi asset credit	5,459	5,514	5,404
<b>Total</b>	<b>5,478</b>	<b>5,533</b>	<b>5,423</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.

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

# Notes to the Pension Fund Accounts (continued)

## Currency Risk – Sensitivity Analysis

Following analysis of historical data with the Fund’s Advisors, the Council considers the likely volatility associated with foreign exchange rate movements to be 9.9% (the 1 year expected standard deviation). A 9.9% (31 March 2022: 9.5%) fluctuation in the currency is considered reasonable based on the Fund Advisors analysis of long-term historical movements in the month-end exchange rates over a rolling 36 month period. This analysis assumes that all other variables, in particular interest rates, remain constant. A 9.9% 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 31-Mar-23 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Overseas equities - hedged	234,102	0	234,102	234,102
Overseas equities - unhedged	1,186,070	117,421	1,303,491	1,068,649
Overseas fixed income	147,905	14,643	162,548	133,262
Overseas cash fund	2,210	219	2,429	1,991
<b>Total</b>	<b>1,570,287</b>	<b>132,282</b>	<b>1,702,569</b>	<b>1,438,005</b>

Assets exposed to currency risk	Value at 31-Mar-22 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Overseas equities - hedged	259,145	0	259,145	259,145
Overseas equities - unhedged	1,240,844	117,880	1,358,724	1,122,964
Overseas fixed income	157,117	14,926	172,043	142,191
Overseas cash fund	217	21	238	196
<b>Total</b>	<b>1,657,323</b>	<b>132,827</b>	<b>1,790,150</b>	<b>1,524,496</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.

# Notes to the Pension Fund Accounts (continued)

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

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a 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 2023 was £47.4m (31 March 2022: £45.0m). This was held with the following institutions:-

	Rating	31-Mar-22 £000	31-Mar-23 £000
<b>Money market funds</b>			
Northern Trust Global Investors Global Cash Fund	AAAm	36,327	33,295
<b>Bank deposit account</b>			
Barclays Bank	A-1	8,659	14,109
<b>Bank current accounts</b>			
Northern Trust custody accounts	A-1+	47	44
<b>Total</b>		<b>45,033</b>	<b>47,448</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 2023 the value of illiquid assets was £666.3m, which represented 20.5% of the total Fund assets (31 March 2022: £638.5m, which represented 19.0% 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 2023 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 2022. The next valuation will take place as at 31 March 2025 and will be published in 2026.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- to ensure that employer contribution rates are as stable as possible;
- to minimise 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 2022 actuarial valuation, the Fund was assessed as 113% funded (93% at the March 2019 valuation). This corresponded to a surplus of £380m (2019 valuation: deficit of £176m) 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 2022 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 2023 to 31 March 2026: 20.5%	2023-24: £8,586,000	2024-25: £8,155,000	2025-26: £7,660,000

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 2022 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-19	31-Mar-22
Price Inflation (CPI)/ Pension increases	2.3%	2.7%
Pay increases	2.8%	3.2%
Discount rate	3.9%	4.4%

Allowance for the McCloud remedy has been included for this expected benefit change at the 2022 valuation as directed by the Department of Levelling Up, Housing and Communities.

## Mortality Assumptions

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

Assumed life expectancy at age 65	Active and Deferred Members		Current Pensioners	
	Male	Female	Male	Female
2019 valuation	22.3	25.1	21.5	23.7
2022 valuation	22.5	25.8	21.6	24.3

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 age-** The earliest age at which a member can retire with their benefits unreduced.

**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) Proportion married** - 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** - 55% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits.

**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.

<b>31-Mar-22</b>		<b>31-Mar-23</b>
<b>£m</b>		<b>£m</b>
<b>-4,373</b>	Present value of promised retirement benefits	<b>-3,136</b>
<b>3,368</b>	Fair value of scheme assets (bid value)	<b>3,249</b>
<b>-1,005</b>	<b>Net liability</b>	<b>113</b>

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2022 triennial funding valuation (see Note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

### Assumptions Used

<b>31-Mar-22</b>	<b>Assumption</b>	<b>31-Mar-23</b>
<b>% p.a.</b>		<b>% p.a.</b>
3.20	Inflation/pension increase rate assumption	2.95
3.70	Salary increase rate	3.45
2.70	Discount rate	4.75

# Notes to the Pension Fund Accounts (continued)

## 21. CURRENT ASSETS

31-Mar-22	31-Mar-23
£000	£000
<b>Debtors:</b>	
2,044 Contributions due – members	1,850
6,286 Contributions due – employers	5,505
1,575 Other debtors	170
<b>9,905</b>	<b>7,525</b>
8,659 Cash balances	14,109
<b>8,659</b>	<b>14,109</b>
<b>18,564</b>	<b>21,634</b>

## 22. CURRENT LIABILITIES

31-Mar-22	31-Mar-23
£000	£000
661 Benefits payable	818
4,915 Other creditor	4,977
<b>5,576</b>	<b>5,795</b>

## 23. ADDITIONAL VOLUNTARY CONTRIBUTIONS

31-Mar-22	31-Mar-23
£000	£000
5,444 Prudential	5,234
645 Standard Life	545
<b>6,089</b>	<b>5,779</b>

Total contributions of £829k (2021-22: £148k) were paid directly to Prudential during the year. Total contributions of £14k (2021-22: £7k) were paid directly to Standard Life during the year.

## 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-22	31-Mar-23
£000	£000
2,248 Unfunded pensions	2,233
<b>2,248</b>	<b>2,233</b>

# Notes to the Pension Fund Accounts (continued)

## 25. RELATED PARTIES TRANSACTIONS

### West Northamptonshire Council

The Northamptonshire Pension Fund is administered by West Northamptonshire Council. Consequently, there is a strong relationship between the Council and the Fund. The Council incurred costs of £2.6m (2021-22: £2.2m) 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 £27.9m of employer's contributions to the Fund in 2022-23 (2021-22: £23.6m). At 31 March 2023 there was £1.5m due to the Fund by the Council (31 March 2022: £1.9k was due to the Fund by the Council).

### Governance

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

Councillor Lloyd Bunday, Andy Langford, Peter Borley-Cox and Robert Austin.

The following members are on the Board or an employee of an employer body in the Pension Fund;

Councillor Graham Lawman, Peter Borley-Cox, Robert Austin and Paul Wheeler.

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 West Northamptonshire Council (lead authority) in partnership with Cambridgeshire County Council. The Head of Pensions reports directly to Assistant Director of Finance at West Northamptonshire Council, whose costs are reported in the West Northamptonshire Council statement of accounts. Other key personnel include the Section 151 Officer.

31-Mar-22	31-Mar-23
£000	£000
56 Short-term benefits	59
3 Post-employment benefits	-201
<b>59</b>	<b>-142</b>

Post-employment benefits to 31 March 2022 are based on a roll forward from the 2019 valuation. The post employment benefits to 31 March 2023 are based on a roll forward from the 2022 valuation, this "step change" can lead to a sizable remeasurement to the obligations. For more information see Note 19 and 20.

## 26. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments at 31 March 2023 totalled £155.0m (31 March 2022: £181.4m).

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

Twelve 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.

# Notes to the Pension Fund Accounts (continued)

## 28. ASSET POOLING

The Northamptonshire Pension Fund has joined with ten other Local Government Pension Schemes (LGPS) Administering Authorities to form the ACCESS (A Collaboration of Central, Eastern and Southern Shires) Pool. The other members of the ACCESS Pool are:

Cambridgeshire, East Sussex, Essex, Hampshire, Hertfordshire, Isle of Wight, Kent, Norfolk, Suffolk and West Sussex.

Collectively as at 31st March 2023, the ACCESS Pool has significant scale with assets of £59bn (of which 59% has been pooled) serving 3,459 employers with 1.192 million members including 339,058 pensioners.

The ACCESS Pool is not a legal entity in itself but is governed by the Inter Authority Agreement (IAA) signed by each Administering Authority established in 2017. The IAA sets out the terms of reference and constitution of ACCESS.

The formal decision-making body within the ACCESS Pool is the ACCESS Joint Committee. The Joint Committee has been appointed by the 11 Administering Authorities under s102 of the Local Government Act 1972, with delegated authority from the Fund Council of each Administering Authority to exercise specific functions in relation to the Pooling of Pension Fund assets.

The Joint Committee is responsible for ongoing contract management and budget management for the Pool and is supported by the Section 151 Officers Group, Officer Working Group and the ACCESS Support Unit. More information on the ACCESS pool can be found on their website: [ACCESS Pool](#).

# Glossary

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

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

**ACS** Authorised Contractual Scheme

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

**AJC ACCESS** Join Governance Committee

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

**CASH EQUIVALENTS** Assets which are readily convertible into cash.

**CIPFA** Chartered Institute of Public Finance and Accountancy

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

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

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

which convert into other government stock.

**COUPON** The regular payment made on bonds.

**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.

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

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

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

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

# Glossary (continued)

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

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

**GMP** Guaranteed Minimum Pension

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

**IAS** International Accounting Standards

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

**IDRP** Internal Dispute Resolution Procedures

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

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

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

**ISC** Investments Sub-Committee

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

**LPB** Local Pension Board.

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

**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.

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

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

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

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

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

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

**UNDECIDED LEAVER** A member who has left employment but their pension benefits have yet to be calculated

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

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