



# **Northamptonshire County Council Pension Fund Statement of Accounts Year Ended 31st March 2021**

# 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 2021 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 2020/21.

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 2021 and the amount and disposition of the fund's assets and liabilities as at 31 March 2021; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

### 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

In auditing the financial statements, we have concluded that the Executive Director of Finance's use of the going concern basis of accounting in the

preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue up to 30 March 2025.

Our responsibilities and the responsibilities of the Executive Director of Finance's with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

### Other information

The other information comprises the information included in the Statement of Accounts 2020/21, other than the financial statements and our auditor's report thereon. The Executive Director of Finance is responsible for the other information contained within the Statement of Accounts 2020/21.

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.

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 course of 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 themselves. 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.



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## 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 23, 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 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

### *Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.

We understood how Northamptonshire Pension Fund is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the monitoring officer, head of internal audit and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance.

# Audit Opinion

We corroborated this through our reading of the Pension Committee and Pension Board minutes and through enquiry of employees to confirm the Pension Fund's policies. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and opportunities for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures we identified the incorrect posting of journal entries of the investment asset valuations and investment income to be our fraud risk.

To address our fraud risk we tested the consistency of the investment asset valuations and investment income from the independent sources of the custodian and the fund managers to the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business.

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 (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Luton

19 January 2024

# Fund Account

31-Mar-20 £000		Notes	31-Mar-21 £000
<b>Dealings with members, employers and others directly involved in the fund:</b>			
-112,663	Contributions	Note 7	-116,311
-8,184	Transfers in from other pension funds	Note 8	-7,759
<b>-120,847</b>			<b>-124,070</b>
94,415	Benefits	Note 9	96,190
6,765	Payments to and on account of leavers	Note 10	8,958
<b>101,180</b>			<b>105,148</b>
<b>-19,667</b>	<b>Net (additions)/withdrawals from dealing with members</b>		<b>-18,922</b>
11,976	Management expenses	Note 11	14,008
<b>-7,691</b>	<b>Net (additions)/withdrawals including fund management expenses</b>		<b>-4,914</b>
<b>Returns on investments:</b>			
-41,123	Investment income	Note 13	-23,433
230	Taxes on income		14
150,600	(Profit) and losses on disposal of investments and changes in the value of investments	Notes 14a and 17b	-670,914
<b>109,707</b>	<b>Net return on investments</b>		<b>-694,333</b>
<b>102,016</b>	<b>Net (increase)/decrease in the net assets available for benefits during the year</b>		<b>-699,247</b>
-2,506,259	Opening net assets of the scheme		-2,404,243
<b>-2,404,243</b>	<b>Closing net assets of the scheme</b>		<b>-3,103,490</b>

Notes on pages 46 to 76 form part of the financial statements.

# Net Asset Statement

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

Notes on pages 46 to 76 form part of the financial statements.

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

# Notes to the Pension Fund Accounts

## 1. DESCRIPTION OF THE FUND

The Northamptonshire County Council Pension Fund is part of the Local Government Pension Scheme (LGPS) and is administered by Northamptonshire County Council. The County Council is the reporting entity for this Pension Fund. The following description of the Fund is a summary only. For more detail, reference should be made to the Annual Report 2020-21 on pages 1 to 41 and the underlying statutory powers underpinning the scheme.

### General

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

- the LGPS Regulations 2013 (as amended);
- the LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014 (as amended);
- the LGPS (Management and Investment of Funds) Regulations 2016.

The Fund is a contributory defined benefit pension scheme administered by Northamptonshire County Council to provide pensions and other benefits for pensionable employees of Northamptonshire County Council, the district councils in Northamptonshire, and a range of other Scheduled and Admitted Bodies within the county area. Teachers, Police Officers and Firefighters are not included as they come within other national pension schemes. The Fund is overseen by the Northamptonshire Pensions Committee, which is a committee of Northamptonshire County Council.

### Membership

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

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

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

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

	31-Mar-20	31-Mar-21
<b>Number of employers with active members</b>	366	314

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

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

<b>Number of pensioners:</b>		
County council	8,811	8,918
Other employers	7,892	8,128
<b>Total</b>	<b>16,703</b>	<b>17,046</b>

<b>Deferred pensioners:</b>		
County council	14,059	14,228
Other employers	9,165	9,733
<b>Total</b>	<b>23,224</b>	<b>23,961</b>

<b>Undecided leavers:</b>		
County council	3,456	3,570
Other employers	4,484	4,633
<b>Total</b>	<b>7,940</b>	<b>8,203</b>

<b>Total members</b>	<b>69,791</b>	<b>73,078</b>
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# Notes to the Pension Fund Accounts (continued)

## Funding

Benefits are funded by contributions and investment earnings. Currently the level of contribution income is sufficient to fund regular benefit payments. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2021. Employers' contributions are set as part of the triennial actuarial funding valuation. The last such valuation was at 31 March 2019. Employers' contributions comprise a percentage rate on active payroll between 1.8% and 35% and deficit payments of fixed cash amounts set for each employer as part of the triennial funding valuation.

## Benefits

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

	Service pre 1 April 2008	Service 1 April 2008 to 31 March 2014
<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 2020-21 financial year and its financial position at 31 March 2021. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2020-21* (the Code), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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



# Notes to the Pension Fund Accounts (continued)

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 30 March 2025. 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 £2.57 billion of level 1 and 2 investment assets at 31 March 2023 (79.4% 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 75) to purchase scheme benefits are accounted for on an accruals basis and are included in Transfers In (see Note 8). Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement. There have been no group transfers in during 2019-20 and 2020-21.

#### Investment Income

##### *i) Interest income*

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

##### *ii) Dividend income*

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

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

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

# Notes to the Pension Fund Accounts (continued)

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

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

### **Stock lending**

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

### **Fund Account – Expense Items**

#### **Benefits Payable**

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

#### **Taxation**

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

#### **Management Expenses**

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

### **Administrative Expenses**

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

### **Oversight and Governance Costs**

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

### **Investment Management Expenses**

Investment Management expenses are accounted for on an accruals basis.

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

Where an Investment Manager’s fee note has not been received by the year end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund Account. In 2020-21, £0.1m of fees are based upon such estimates (2019-20: £ 0.4m). In addition, manager fees deducted from pooled funds of £9.3m (2019-20: £5.7m) are estimated based upon information received from fund managers.

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

# Notes to the Pension Fund Accounts (continued)

## Net Asset Statement

### Financial Assets

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

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

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

### Foreign Currency Transactions

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

### Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes (see Note 15).

## Cash and Cash Equivalents

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

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

### Financial Liabilities

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

### Actuarial Present Value of Promised Retirement Benefits

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

# Notes to the Pension Fund Accounts (continued)

## Additional Voluntary Contributions

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

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

## Contingent Assets and Liabilities

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

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

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

## 4. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

### Pension Fund Liability

The net Pension Fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

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

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

## 5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the Balance Sheet date and the amounts reported for the revenues and expenses during the year.

Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the Financial Statements as 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- **Actuarial Present Value of Promised Retirement Benefits Uncertainties:** Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rates at which salaries and pensions are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. An independent firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied. The actuary has included the McCloud judgement within their calculation shown in note 20.
- **Effect if Actual Results Differ from Assumptions:** The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £478m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £33m, and a 1 year increase in assumed life expectancy would increase the liability by approximately 3-5%.

# Notes to the Pension Fund Accounts (continued)

- **Private Equity**

**Uncertainties:** Private equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

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

## 6. EVENTS AFTER THE BALANCE SHEET DATE

On 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.

Since 31 March 2021 the Fund has undergone its 2022 triennial valuation, the funding position has improved since the last valuation to 113% (2019: 93%). This is a non-adjusting event to the 2020-21 statement of accounts.

## 7. CONTRIBUTIONS RECEIVABLE

### By category:

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

### By authority:

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

## 8. TRANSFERS IN FROM OTHER PENSION FUNDS

31-Mar-20		31-Mar-21
£000		£000
8,184	Individual transfers	7,759
<b>8,184</b>		<b>7,759</b>



# Notes to the Pension Fund Accounts (continued)

## 9. BENEFITS PAYABLE

### By category:

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

### By authority:

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

## 10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

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

## 11. MANAGEMENT EXPENSES

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

# Notes to the Pension Fund Accounts (continued)

## 12. INVESTMENT MANAGEMENT EXPENSES

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

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

## 13. INVESTMENT INCOME

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

# Notes to the Pension Fund Accounts (continued)

## 14. INVESTMENTS

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

# Notes to the Pension Fund Accounts (continued)

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

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

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

# Notes to the Pension Fund Accounts (continued)

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

	Market value 01-Apr-19	Purchases during the year and derivative payments <sup>1</sup>	Sales during the year and derivative receipts <sup>1</sup>	Change in market value during the year	Market value 31-Mar-20
	£000	£000	£000	£000	£000
Equities	901,836	356,422	-1,008,905	-89,098	160,255
Pooled investments	1,281,981	661,489	-67,321	-54,835	1,821,314
Pooled property investments	197,117	20,583	-10,090	-14,948	192,662
Private equity/infrastructure	62,296	136,070	-13,744	7,974	192,596
	<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			0	1,284
• Spot FX contracts	0			169	1
• Amounts payable for purchases 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(b). INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31-Mar-20		Market value 31-Mar-21	
£000	% of net investment assets	£000	% of net investment assets
<b>Investments managed under Pooled Governance:</b>			
896,916	38 Link Fund Solutions	1,287,000	42
733,306	31 UBS Global Asset Management	970,953	31
<b>1,630,222</b>	<b>68 Total Investments managed under pool governance</b>	<b>2,257,953</b>	<b>73</b>
<b>Investments managed outside Pooled Governance:</b>			
19,523	1 Adams Street Partners	43,979	1
17,136	1 Allianz Global Investors	20,105	1
35,162	2 AMP Capital	38,077	1
0	0 BlueBay Asset Management	143,083	5
330	0 Catapult	511	0
193,621	8 CBRE Global Investment Partners	195,098	6
8,517	0 CBRE Debt	9,416	0
29,380	1 HarbourVest Partners (UK)	68,860	2
46,719	2 IFM Infrastructure	48,136	2
0	0 JP Morgan	45,644	1
44,347	2 M&G Investments	186,853	6
179,320	8 Majedie Asset Management	0	0
253	0 UBS Asset Management	17	0
177,901	7 Wellington Management	0	0
10,365	0 Cash with custodian	33,763	1
<b>762,574</b>	<b>32 Total investments managed outside pool governance</b>	<b>833,542</b>	<b>27</b>
<b>2,392,796</b>	<b>100 Net investment assets</b>	<b>3,091,495</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 2021.

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

## 14(d). STOCK LENDING

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

# Notes to the Pension Fund Accounts (continued)

## 15. ANALYSIS OF DERIVATIVES

### Objectives and Policies for Holding Derivatives

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

#### • Futures

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

#### • Options

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

#### • Forward foreign currency

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

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

Settlement	Currency bought	Local Value	Currency sold	Local Value	Asset Value	Liability Value
		Currency £000		Currency £000	£000	£000
One to six months	GBP	50	EUR	-59	0	0
					0	0
<b>Total</b>					<b>0</b>	<b>0</b>
Net forward currency contracts at 31 March 2021						<b>0</b>
<b>Prior year comparative</b>						
Open forward currency contracts at 31 March 2020					<b>24</b>	
Net forward currency contracts at 31 March 2020						<b>24</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 2015, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

### 16(a). FAIR VALUE HIERARCHY

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

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

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

# Notes to the Pension Fund Accounts (continued)

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the account period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities valued at a market value based on current yields	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Pooled investments – not exchange traded open ended funds	Level 2	Closing bid and offer prices are published. Closing single price where a single price is published	NAV based pricing set on a forward pricing basis.	Not required
Pooled investments – not exchange traded closed ended funds	Level 3	Closing bid and offer prices are published. Closing single price where a single price is published	NAV based pricing set on a forward pricing basis.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date and lack of liquidity.
Private equity and infrastructure- equity	Level 3	Comparable valuation of similar companies	Price/Earnings or EBITDA multiple	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date.
Private equity and infrastructure - other	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	Share of net assets	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, and by any differences between audited and unaudited accounts.



# Notes to the Pension Fund Accounts (continued)

## Sensitivity of assets valued at Level 3

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

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

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

Period 2020-21	Market value 01- Apr-20	Transfers in/out of Level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses)	Realised gains/(losses)	Market value 31-Mar-21
	£000	£000	£000	£000	£000	£000	£000
Venture capital	192,596	0	94,908	-17,066	36,654	2,732	309,824
Property funds	102,678	34,495	4,365	-11,879	-2,456	-53	127,150
<b>Total</b>	<b>295,274</b>	<b>34,495</b>	<b>99,273</b>	<b>-28,945</b>	<b>34,198</b>	<b>2,679</b>	<b>436,974</b>

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

# Notes to the Pension Fund Accounts (continued)

## 17. FINANCIAL INSTRUMENTS

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

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

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

# Notes to the Pension Fund Accounts (continued)

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

31-Mar-20		31-Mar-21
£000		£000
<b>Financial assets:</b>		
-150,907	Fair value through profit and loss	671,043
180	Loans and receivables	2
<b>Financial liabilities:</b>		
85	Fair Value through profit and loss	8
42	Amortised cost – realised losses on de-recognition of assets	-140
<b>-150,600</b>	<b>Total gains/(losses)</b>	<b>670,913</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 2020-21 reporting period. The potential price changes disclosed above are broadly consistent with one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment Advisors most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

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

# Notes to the Pension Fund Accounts (continued)

Had the market price of the fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows:

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

<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>



# Notes to the Pension Fund Accounts (continued)

## Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is routinely monitored by the Council and its investment consultant in accordance with the Fund's Risk Management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks. The Fund's direct exposure to interest rate movements as at 31 March 2021 and 31 March 2020 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

## Interest Rate Risk Sensitivity Analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. An 80 basis point (BPS) (i.e. 0.80%) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's Risk Management strategy. The Fund's investment consultant has advised that long-term average rates are expected to move less than 80 basis points from one year to the next and experience suggests that such movements are likely. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS (1.0%) change in interest rates:

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

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

Exposure to interest rate risk	Asset values at 31-Mar-20 £000	Impact of 1% decrease £000	Impact of 1% increase £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>

# Notes to the Pension Fund Accounts (continued)

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

Exposure to interest rate risk	Interest receivable 2019-20 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash deposits, cash and cash equivalents	207	209	205
Fixed interest securities	2,684	2,711	2,657
<b>Total</b>	<b>2,891</b>	<b>2,920</b>	<b>2,862</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 9.8% (the 1 year expected standard deviation).

A 9.8% (31 March 2020: 10.0%) fluctuation in the currency is considered reasonable based on the Fund Advisors analysis of long-term historical movements in the month-end exchange rates over a rolling 36 month period. This analysis assumes that all other variables, in particular interest rates, remain constant. A 9.8% strengthening/weakening of the pound against the various currencies in which the fund holds investments would decrease/increase the net assets available to pay benefits as follows.

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

Assets exposed to currency risk	Value at 31-Mar-20 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Overseas equities - hedged	240,460	0	240,460	240,460
Overseas equities - unhedged	1,129,698	112,970	1,242,668	1,016,728
Overseas fixed income	177,901	17,790	195,691	160,111
Overseas cash fund	2,237	224	2,461	2,013
<b>Total</b>	<b>1,550,296</b>	<b>130,984</b>	<b>1,681,280</b>	<b>1,419,312</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 2021 was £60.6m (31 March 2020: £32.5m). This was held with the following institutions:-

	Rating	31-Mar-20 £000	31-Mar-21 £000
<b>Money market funds</b>			
Northern Trust Global Investors Global Cash Fund	AAAm	23,306	37,167
UK Treasury Bills			
<b>Bank deposit account</b>			
Barclays Bank	A	8,500	9,162
<b>Bank current accounts</b>			
Northern Trust custody accounts	A-1+	669	14,316
<b>Total</b>		<b>32,475</b>	<b>60,645</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 2021 the value of illiquid assets was £495.3m, which represented 16.0% of the total Fund assets (31 March 2020: £385.3m, which represented 16.1% of the total Fund assets).

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

## d) Refinancing Risk

A key risk for a Pension Fund is that it may be bound to replenish a significant proportion of its Pension Fund financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its Investment Strategy.

# Notes to the Pension Fund Accounts (continued)

## 19. FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019. The next valuation will take place as at 31 March 2022.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- to ensure that employer contribution rates are as stable as possible;
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- to reflect the different characteristics of employing bodies in determining contribution rates where the Administering Authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

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

At the 2019 actuarial valuation, the Fund was assessed as 93% funded (78% at the March 2016 valuation). This corresponded to a deficit of £176m (2016 valuation: £517m) at that time.

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

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

The table below summarizes the whole fund Primary and Secondary Contribution rates at the 2019 triennial valuation. These rates are the payroll weighted average of the underlying individual employer primary and secondary rates, calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate %	Secondary Rate		
1 April 2020 to 31 March 2023: 19%	2020-21: £20,339,000	2021-22: £20,463,000	2022-23: £20,696,000

The Primary rate above includes an allowance of 0.8% of pensionable pay for the Fund's expenses. The average employee contribution rate is 6.3% of pensionable pay. Full details of the contribution rates payable can be found in the 2019 actuarial valuation report and the funding strategy statement on the Fund's website.

# Notes to the Pension Fund Accounts (continued)

## Basis of Valuation

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

## Financial Assumptions

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

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

\*CPI plus 0.3%

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

## Mortality Assumptions

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

	Active and Deferred Members Male	Active and Deferred Members Female	Current Pensioners Male	Current Pensioners Female
<b>Assumed life expectancy at age 65</b>				
2016 valuation	23.9	26.1	22.1	24.2
2019 valuation	22.3	25.1	21.5	29.7

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

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

## Other Demographic Valuation Assumptions:

**a) Retirements in ill-health** - Allowance has been made for ill-health retirements before normal pension age.

**b) Withdrawals** - Allowance has been made for withdrawals from service.

**c) Retirements in normal health** - We have adopted the retirement age pattern assumption as used for the purpose of the 2016 LGPS cost cap valuation.

**d) Death in Service** - Allowance has been made for death in service.

**e) Promotional salary increases** - Allowance has been made for promotional salary increases.

**f) Family details** - A varying proportion of members are assumed to have a dependant at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. The dependant of a male member is assumed to be 3 years younger than him and the dependant of a female member is assumed to be 3 years older than her.

**g) Commutation** - 50% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits for service to 1 April 2008 (equivalent 75% for service from 1 April 2008).

**h) 50:50 option** - 1.0% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option.

# Notes to the Pension Fund Accounts (continued)

## 20. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

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

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

### Assumptions Used

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

# Notes to the Pension Fund Accounts (continued)

## 21. CURRENT ASSETS

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

## 22. CURRENT LIABILITIES

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

## 23. ADDITIONAL VOLUNTARY CONTRIBUTIONS

31-Mar-20	31-Mar-21
£000	£000
4,880 Prudential	5,725
705 Standard Life	642
<b>5,585</b>	<b>6,367</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-20	31-Mar-21
£000	£000
2,570 Unfunded pensions	2,208
<b>2,570</b>	<b>2,208</b>



# Notes to the Pension Fund Accounts (continued)

## 25. RELATED PARTIES TRANSACTIONS

### Northamptonshire County Council

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

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

### Governance

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

Councillor Richard Micklewright

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

### 25 (a). KEY MANAGEMENT PERSONNEL

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

## 26. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

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

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

## 27. CONTINGENT ASSETS

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

# Glossary

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

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

**ACS** Authorised Contractual Scheme.

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

**AJC** ACCESS Join Governance Committee

**AUM** Assets Under Management

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

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

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

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

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

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

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

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

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

**CTI** Cost Transparency Initiative

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

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

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

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

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

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

# Glossary (continued)

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

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

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

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

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

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

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

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

**GMP** Guaranteed Minimum Pension

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

**IAS** International Accounting Standards

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

**IDRP** Internal Dispute Resolution Procedures

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

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

**INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

Accounting Standards, Interpretations and the Framework adopted by the International Accounting Standards Board (IASB).

**ISC** Investments Sub-Committee

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

**LPB** Local Pension Board.

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

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

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

**PC** Pensions Committee.

# Glossary (continued)

**PLSA** Pensions and Lifetime Savings Association.

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

**RAG** Red, Amber and Green

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

**SAB** Scheme Advisory Board

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

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

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

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

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

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

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