



**Northamptonshire Pension Fund**  
**Annual Report**  
**Year Ended 31st March 2022**

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# Chairperson's Foreword

It gives me great pleasure to introduce the Northamptonshire Pension Fund Annual Report and Statement of Accounts for 2021-22.

Staff responsible for the management and administration of the Northamptonshire Pension Fund have striven to deliver continuing high standards of performance to our scheme members, scheme employers and other stakeholders throughout the year.

Our scheme members increased to over 76,000 active, pensioner and deferred members of the scheme from the previous year's figure of over 73,000. Scheme members rely on us to look after their valuable pension rights during their lifecycle of scheme membership.

The Fund has seen further growth of 8.5%, ending this year with a fund valuation of £3.37bn as of 31<sup>st</sup> March 2022, compared to £3.10bn as at 31<sup>st</sup> March 2021.

This is despite the volatile market situation caused by the Russian invasion of Ukraine at the end of the financial year. Whilst first and foremost a human tragedy, the ongoing war in Ukraine is likely to lead to high inflation and challenging times for the Fund over the next year, with the effects not fully felt during 2021-22.

The Fund has worked hard to develop an enhanced responsible investment (RI) policy, which forms part of our overall investment strategy. The new RI policy sets out our approach to sustainable responsible investment and will help us manage the carbon and climate risks impacting our investments better.

The Fund has carefully chosen an ambitious decarbonisation pathway for its portfolio of investments that will enable the Fund to reach net zero carbon emissions by 2050 or earlier whilst still ensuring its ability to pay benefits when they fall do is not compromised. Further information on this important work can be found in section Investment Policy and Performance of this annual report and within the investment

pages on the Fund's website.

The Fund has continued to progress work within the ACCESS pool, increasing our pooled assets to 75% as of 31<sup>st</sup> March 2022, with further assets in the pipeline to be pooled in the future.

The Fund has also been busy preparing, collating and analysing data in preparation for the next 3 year valuation cycle.

After another successful year for the Fund I would like to once again thank the hard work of the Pension Fund Committee and its Investment Sub-Committee, members of the Local Pension Board, the Chief Finance Officer, the Head of Pensions and all the staff involved in the administration and management of the Northamptonshire Pension Fund.

Councillor Malcolm Longley

Chairman of the Northamptonshire Pensions Committee.

Dated: xxxxxxxx 2023

# Statement of Responsibilities

## Introduction

This Annual Report and Statement of Accounts sets out the arrangements by which the Local Government Pension Scheme operates, reports changes which have taken place and reviews the investment activity and performance of the West Northamptonshire Council Pension Fund ("Fund") during the year.

The Statement of Accounts has been prepared in accordance with the CIPFA/LASAAC Code of Practice for Local Authority Accounting in the United Kingdom 2021-22.

The accounts summarise the transactions of the Fund and deal with the net assets at the disposal of the Pension Committee members. The accounts do not take account of the obligation to pay future benefits which fall due after year end. The actuarial position of the Fund which takes into account these obligations is available on the Fund's website,

[Northamptonshire Pension Fund Valuation Report](#)

## The Council's Responsibilities in respect of the Pension Fund

The West Northamptonshire Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Chief Finance Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts which form part of the Council's Statement of Accounts.

## The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code)*.

In preparing this statement of accounts, the Chief Finance Officer has:

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

The Chief Finance Officer has also:

- Kept proper accounting records which are up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

## Certificate of Accounts

I certify that this Statement of Accounts presents a true and fair view of the financial position of the Pension Fund at 31 March 2022 and of its income and expenditure for the year 2021-22, and authorise the accounts for issue.

Mr M Henry

Chief Finance Officer

(Section 151 Officer)

Dated: xx xxxxxx 2023

# Scheme Management, Advisors and Partners

Partners	Asset Managers (Continued)
ACCESS (Pension Pool) 	Catapult 
AON (Consultants) 	CBRE Global 
Barclays (Bank) 	Harbour Vest Partners (UK) 
<b>David Crum (Independent Advisor)</b>	IFM Investors 
Grant Thornton (Auditors) 	JP Morgan 
Hymans Robertson (Actuary) 	Lion Trust* 
Mercer (Investment Consultants) 	Link Fund Solutions (Access) 
Northern Trust (Custodian) 	Longview Partners* 
Pathfinder (Legal Advisor) 	M&G Investments* 
Squire Patton Boggs (Legal Advisors) 	Newton* 
<b>Asset Managers</b>	UBS Asset Management 
Adams Street Partners 	<b>AVC Providers</b>
Allianz Global Investors 	Prudential 
Ares Asset Management 	Standard Life 
Baillie Gifford & Co* 	*Sub-funds managed by Link Fund Solutions in the ACCESS pool (page 27)
Blue Bay Asset Management 	

# Scheme Management & Key Officers

The Key Officers of the Fund during the year were:

Mark Whitby – Head of Pensions

Ben Barlow – Investments and Fund Accounting Manager

Richard Sultana – Systems and Projects Manager

Akhtar Pepper – Operations Manager

Cory Blose – Employer and Communications Manager

Joanne Kent – Governance and Compliance Manager

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

**Ben Barlow**

Investments and Fund Accounting Manager,  
Pensions Service

Email: [Ben.Barlow@westnorthants.gov.uk](mailto:Ben.Barlow@westnorthants.gov.uk)

Telephone: 07831 123167



Enquiries relating to management and administration should be directed to:

**Mark Whitby**

Head of Pensions, Pensions Service

Email: [Mark.Whitby@westnorthants.gov.uk](mailto:Mark.Whitby@westnorthants.gov.uk)

Telephone: 07990 556197



**Registered Pension Scheme Number: 10079143**

# Scheme Administration

## Introduction

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

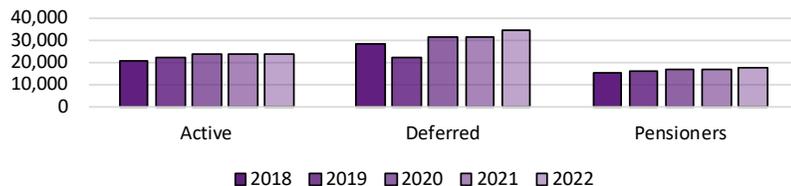
The Fund is a qualifying scheme under the automatic enrolment regulations and can be used by employers to automatically enroll eligible employees, and every three years re-enrol anyone who opts out of the scheme.

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

## Membership

Membership of the Fund increased by 4.7% from the previous year.

On 31 March 2022 there were 24,055 active, 34,759 deferred and 17,705 pensioner members in the Fund. The deferred figure is inclusive of 10,133 open cases that may change status (undecided leavers).



## Pension Fund Administration

There are 77 staff members (73.56 full time equivalent) within the Pensions Team, providing all aspects of service to both the Northamptonshire and Cambridgeshire Funds, with an average staff to member ratio of 1:2,299 (total members for Northamptonshire and Cambridgeshire Pension Funds divided by full time equivalent staff members).

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

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

## Unitary Authority

On the 1<sup>st</sup> April 2021 Northamptonshire County Council ceased and was replaced by two unitary authorities West Northamptonshire and North Northamptonshire. West Northamptonshire Council has become the administering authority for the Northamptonshire Pension Fund.

## Scheme Administration Tools

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

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

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

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

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

# Scheme Administration (continued)

## Scheme Framework

The Local Government Pension Scheme is a statutory funded pension scheme. The operation of the West Northamptonshire Council Pension Fund is principally governed by the Local Government Pension Scheme Regulations 2013 (as amended) and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) which have been made within the context of the primary legislation of the Public Service Pensions Act 2013.

The Scheme covers eligible employees of the Unitary authorities, the Police Authority, Police and Crime Commissioner and Academies within the county area other than teaching staff, police officers and fire-fighters for whom separate statutory arrangements exist. A number of other bodies are also members of the scheme.

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

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

Benefits built up before April 2014 also retain their protected Normal Pension Age, which for most members is 65, although certain members have a retirement age of 60 for all or part of their membership.

There is an additional protection known as the 'underpin' for members who were active on 31 March 2012 and were within ten years of their Protected Normal Pension Age on 1 April 2012. These members will get a pension at least equal to the pension they would have received in the LGPS had it not changed on 1 April 2014, subject to meeting certain criteria.

In December 2018 the Court of Appeal ruled against the Government in two linked cases relating to the Judicial Pension Scheme and the Firefighters' Pension Schemes. This ruling is generally referred to as the McCloud judgment, or simply McCloud.

In essence, the Court held that the transitional protections afforded to older members of these schemes when their reformed schemes were introduced in 2015 constituted unlawful age discrimination.

The Government sought permission to appeal to the Supreme Court and it was announced on 27 June 2019 that the application had been refused.

A written ministerial statement followed on 15 July 2019 to confirm that, as transitional protection was provided in all public service schemes upon their reform, the McCloud judgment had implications for all those schemes, including the LGPS in England and Wales.

Primary legislation required in relation to the McCloud remedy has now been put in place as The Public Service Pensions and Judicial Offices Bill received Royal Assent in March 2022, becoming the Public Service Pensions and Judicial Offices Act 2022.

While there was a MHCLG (now DLUHC) consultation in 2020 on proposed amendments to the LGPS Regulations necessary to remedy the specific unlawful age discrimination in the LGPS, no actual amendments have been made as yet. A fresh DLUHC consultation, which will include draft LGPS amendment regulations, is expected to take place in Summer 2022. The intention is that these amendment Regulations will come into effect on 1 October 2023, retrospective to 1 April 2014 (i.e. when the reformed LGPS, and therefore the transitional protection, was introduced).

# Scheme Administration (continued)

The below table compares the 2008 and the 2014 schemes.

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

# Scheme Administration (continued)

## Pension Committee and Local Pension Board Membership

The following table shows the attendance of Committee and Board members at applicable Pension Committee, Investment Sub-Committee and Local Pension Board meetings during 2021-22, training undertaken in year, including; including; Training days, Conferences and Strategic Workshops.

Councillor/Member Name	Committee/Board	Meetings Attended	Training Undertaken (In person and virtual)
Councillor Malcolm Longley	Pension Committee Investment Sub Committee	5 meetings out of 5 4 meetings out of 4	5 sessions attended
Councillor Charles Morton	Pension Committee Investment Sub Committee	4 meetings out of 5 2 meetings out of 4	9 sessions attended
Councillor Phil Bignell	Pension Committee Investment Sub Committee	5 meetings out of 5 1 meetings out of 4	3 sessions attended
Councillor Catharine Russell	Pension Committee Investment Sub Committee	4 meetings out of 5 3 meetings out of 4	9 sessions attended and 1 external conference
Councillor Graham Lawman	Pension Committee Investment Sub Committee	5 meetings out of 5 4 meetings out of 4	9 sessions attended
Robert Austin	Pension Committee Investment Sub Committee	2 meetings out of 5 3 meetings out of 4	7 sessions attended and 1 external conference
Peter Borley-Cox	Pension Committee Investment Sub Committee	5 meetings out of 5 3 meetings out of 4	8 sessions attended
Councillor Paul Joyce	Pension Committee	3 meetings out of 5	6 sessions attended
Councillor Peter Matten	Pension Committee	1 meetings out of 5	4 sessions attended
Councillor Jamie Lane	Pension Committee	4 meetings out of 5	1 session attended
Councillor Lloyd Bunday	Pension Committee	5 meetings out of 5	9 sessions attended
John Wignall	Pension Committee	3 meetings out of 4*	8 sessions attended
Councillor Ken Pritchard	Local Pension Board	3 meetings out of 3	7 sessions attended
Julie Petrie	Local Pension Board	2 meetings out of 3	9 sessions attended and 1 external webinar
Kevin Standishday	Local Pension Board	1 meetings out of 3	2 sessions attended and 1 external webinar
Katy Downes	Local Pension Board	1 meetings out of 2*	10 sessions attended and 1 external webinar and one conference
Alicia Bruce	Local Pension Board	2 meetings out of 2*	2 sessions attended and 1 external webinar

\*Not in appointment for the entire period.

# Scheme Administration (continued)

## Policies and Strategy Statements

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

[Northamptonshire Pension Fund Key Documents](#)

## The following policies were in place during the financial year

- Administering Authority Discretions
- Administration Strategy
- Admitted Bodies Scheme Employers and Bulk Transfers Policy
- Annual Business Plan & Medium Term Strategy 2021-2024
- Anti-Fraud and Corruption Policy
- Cash Management Strategy
- Communications Plan
- Communications Strategy
- Conflict of Interest Policy for Northamptonshire Pension Fund Board
- Data Improvement Policy
- Employer Data Retention Policy
- Funding Strategy Statement
- Governance Policy and Compliance Statement
- Investment Strategy Statement
- Northamptonshire Pension Fund Training Strategy
- Overpayment of Pension Policy
- Payment of Pension Contributions Policy
- Reporting Breaches of the Law to the Pensions Regulator Policy
- Risk Register
- Risk Strategy

## Statement/Policy Changes in 2021-22

The following strategies and policies have been reviewed and updated accordingly in 2021-22:

- Admission Bodies, Scheme Employers and Bulk Transfer Policy
- Anti-Fraud and Corruption Policy
- Communications Plan
- Training Strategies
- Investment Strategy Statement
- Payment of Employee and Employer Contributions Policy

The Fund also developed a Cyber Strategy during the year, however this is not published due to its sensitive nature.

# Management and Financial Performance

## The Team

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

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

## Complaints

Should you have a complaint about the service, we will do our best to put things right. To access support, please email [Pensions@westnorthants.gov.uk](mailto:Pensions@westnorthants.gov.uk), telephone 01604 366537, or write to:

Pensions Service – Governance Team  
One Angel Square,  
Angel Street  
Northampton  
NN1 1ED

## Appeals

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

Stage 1 disputes are decided by Head of Pensions if the complaint concerns an administering authority decision, or by an adjudicator appointed by the Employer if an Employer decision.

At Stage 2, the complaint is considered by West Northamptonshire Council's Monitoring Officer, and if the complainant is still unhappy with the decision they may formally refer the case to The Pensions Ombudsman.

At any stage a scheme member may contact The Pensions Ombudsman for assistance with their complaint, but for a formal complaint to be raised with them both Stages of the IDRP would normally need to be completed first. More information can be found on [The Pensions Ombudsman website](#).

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

Nature of dispute	Stage 1	Stage 2
Benefits awarded lower than estimated	Not upheld	Not upheld
Lump sum paid less than quoted	Partially upheld (in 2020/2021)	Not upheld
Transfer out reinstatement/compensation	Not Upheld (in 2020/2021)	Not upheld
Refusal of early payment of deferred benefits on ill health grounds	Not Upheld (in 2020/2021)	Not upheld

# Management and Financial Performance (continued)

## Managing Decision Making

West Northamptonshire Council has established a Pension Committee (PC) and Investment Sub-Committee (ISC) having strategic and operational investment decision making powers, respectively.

Membership of both bodies consist of elected members, and non-elected employer and scheme member representatives. All members of the ISC sit on the PC.

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

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

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

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

The Local Pension Board (LPB) was established on 1 April 2015, providing an additional layer of governance for the Fund. The LPB is non-decision making but has the responsibility of assisting the Administering Authority to:

- Secure compliance with the Local Government Pension Scheme (LGPS) regulations and other legislation relating to the governance and administration of the LGPS and also the requirements imposed by the Pensions Regulator in relation to the LGPS; and
- Ensure the effective and efficient governance and administration of the LGPS.

The LPB has provided a separate annual report of its activities to Council for this financial year.

# Management and Financial Performance (continued)

## Risk Management

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

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

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

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

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

## Investment Risk

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

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

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

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

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

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

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

At year end all Investment Managers, including Link Fund Solutions who are the operator of the ACCESS pool (page 27), are required to provide ISAE 3402 (Service Organization Control Reports) which are made available to external audit.

## Risk Assurance

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

# Management and Financial Performance (continued)

## Financial Performance

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

Performance Indicators	2021-22 Forecast £000	2021-22 Actual £000
Contributions	-107,000	-122,777
Transfers in from other funds	-7,000	-12,203
<b>Total Income</b>	<b>-114,000</b>	<b>-134,980</b>
Benefits payable	100,000	103,413
Payments to and for leavers	7,000	9,696
<b>Total Benefits</b>	<b>107,000</b>	<b>113,109</b>
<b>Surplus of contributions over benefits</b>	<b>-7,000</b>	<b>-21,871</b>
Management Expenses		
Administrative Costs	2,247	2,268
Investment Management Expenses	445	12,884
Oversight and Governance Costs	675	812
<b>Total Management Expenses</b>	<b>3,367</b>	<b>15,964</b>
<b>Total Income less Expenses</b>	<b>-3,633</b>	<b>-5,907</b>
Investment Income	-35,000	-28,920
Taxes on Income	0	0
(Profit)/loss on disposal and changes in market value of investments	-117,000	-229,429
<b>Net return on investments</b>	<b>-152,000</b>	<b>-258,349</b>
<b>Net (increase)/decrease in assets during the year</b>	<b>-155,633</b>	<b>-264,256</b>

Management expenses per active member are shown below:

Cost Per Active Member	2020-21	2021-22
Active Members	23,868	24,055
	£	£
Administrative Cost	99.38	94.28
Investment Management Expenses	457.85	535.61
Oversight and Governance Costs	29.66	33.76

## Variance Analysis

- Contributions and benefits are in line with current membership numbers.
- Transfers in and payments out are demand led.
- Investment Management expenses forecast is understated as this does not include pooled fees deducted from market value.
- The 2021-22 forecast for profit/loss on disposal and changes in market value of investments assumed the actuaries target would be achieved. The actual market experience is explained in the independent investment advisors report (page 38).

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

# Management and Financial Performance (continued)

## Performance Indicators

The Fund has developed a number of Key Performance Indicators (KPIs) to monitor service delivery, these KPIs are reviewed internally on a monthly basis to monitor and inform where delivery is met or remedial action is required. The Pension Fund Committee receives quarterly performance updates within a Business Plan update.

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

	Cases completed in the year	Cases completed within KPI target	% of Cases completed within KPI target
<b>Deaths</b> – initial letter acknowledging death of member <i>KPI: 5 working days, Legal requirement: 2 months</i>	541	541	100
<b>Deaths</b> – letter notifying amount of dependant’s pension <i>KPI: 5 working days, Legal requirement: 2 months</i>	327	327	100
<b>Estimates</b> – letter notifying estimate of retirement benefits to employee <i>KPI: 15 working days, Legal requirement: 2 months</i>	529	504	95
<b>Retirements</b> – process and pay pension benefits on time <i>KPI: 5 working days, Legal requirement: 2 months</i>	486	462	95
<b>Deferment</b> – calculate and notify deferred benefits <i>KPI: 15 working days, Legal requirement: N/A</i>	1,454	1,371	94
<b>Transfers in</b> – Letter detailing transfer in (actual) <i>KPI: 10 working days, Legal requirement: 2 months</i>	427	421	99
<b>Transfers out</b> – letter detailing transfer out (quote) <i>KPI: 10 working days, Legal requirement: 3 months</i>	415	406	98

# Management and Financial Performance (continued)

## Contributions

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

The following table shows the amount of regular employee and employer contributions paid during the year and the value and percentage of which were paid both on time and after the deadline of the 19th day of the month following deduction.

Contributions	Total Paid in 2021-22 £000	Total Paid On Time £000	% Paid On Time	Total Paid Late £000	% Paid Late
Employer	98,109	97,526	99	583	1
Employee	24,668	24,480	99	188	1
<b>Total</b>	<b>122,777</b>	<b>122,006</b>	<b>99</b>	<b>771</b>	<b>1</b>

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

## Recovery of Overpayments of Pension

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

Annual Pensioner Payroll (£) <sup>1</sup>	83,682,381
Total write off amount (£)	£1,845
Write offs amount as % of payroll	0.0

<sup>1</sup>Excludes additional pension awarded by the employer.

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

Year	Overpayment £	Recovered/in progress £	Written Off £
2017-18	74,764	55,518	17,518
2018-19 <sup>2</sup>	516,269	379,396	136,873
2019-20	136,830	47,180	89,650
2020-21	45,998	5,297	40,701
2021-22	11,326	9,481	1,845

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

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

# Management and Financial Performance (continued)

## Contributors to the Fund

Active Employers as at 31 March 2022

Type Of Body	Number of Active Employers
Administering (AA)	1
Scheduled (S)*	253
Admitted (Ad)	64
<b>Total</b>	<b>318</b>

\*LEA schools are included within Scheduled Bodies but not in the above figures as they belong to their responsible local authorities, and in table below are shown in Body column as S\*

The table to the left, shows the number of employers in the Fund as at 31 March 2022. The breakdown of contributions by employer shown in the table below will show a different number of employers when compared to the left, as employers joined and left the fund throughout the year. An active or ceased column has been added to show this movement. Where contributions exist for ceased employers, these represent prior year adjustments that have been made within 2021-22, or contribution receipts recorded within the period.

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Abbey C of E Academy (Daventry)	7,565	24,967	32,532		S
Abbeyfield School	51,120	161,610	212,730		S
Abington Vale Primary (Academy)	27,784	98,927	126,711		S
ABM (St Mary's CE Primary)	614	3,697	4,311		Ad
ABM Catering (Duston Eldean Primary School)	678	3,160	3,837		Ad
ABM Catering (Lyncrest Primary)	483	2,248	2,731		Ad
ABM Catering Limited (Innovate MAT)	1,133	3,977	5,110		Ad
ABM Catering Limited - 2016 PDET	2,763	12,359	15,122		Ad
ABM Catering Limited (2018 PDET)	1,240	5,086	6,326		Ad
ABM Catering Limited (Montsaye Academy)	2,929	9,851	12,780		Ad
Alfred Street Junior School	8,955	40,643	49,598		S*
All Saints C of E VA Primary School	16,601	75,322	91,923		S*
Alliance in Part' (Magdalen C)	501	2,150	2,651		Ad
AMEY Ltd	12,717	42,536	55,253		Ad
Ashby Fields Primary School	24,228	93,136	117,364		S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Aspens - DSLV Academy (Dantre & Southbrook)	1,699	9,612	11,311	Y	Ad
Aspens Services Ltd (Southfield School for Girls Kettering)	339	1,285	1,624		Ad
Badby Primary Academy	10,245	35,979	46,224		S
Balfour Beatty-St Lighting	4,176	9,534	13,710		Ad
Barby & Olney Parish Council	707	3,155	3,861		S
Barby Academy	4,809	18,894	23,703		S
Barry Road Primary (NCC)	32,241	194,001	226,243		S*
Beanfield Primary School	59,153	187,616	246,769		S
Billing Brook Academy	89,417	283,866	373,283		S
Birkin Cleaning Services (Elizabeth Woodville)	7,265	44,984	52,248		Ad
Bishop Stopford Academy	56,300	187,284	243,585		S
Blackthorn Primary (Academy)	19,637	67,038	86,675		S
Blakesley C of E Primary	5,458	22,121	27,578		S
Boddington C of E Primary Academy	3,154	12,388	15,542		S
Boothville Primary School (NCC)	40,012	185,613	225,625		S*

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Boughton Primary Academy	11,134	36,114	47,248		S
Bozeat Community Primary Academy	8,614	36,183	44,798		S
Brackley Town Council	21,704	89,868	111,572		S
Brambleside Primary School	17,761	66,744	84,505		S
Braunston Academy	11,909	42,967	54,876		S
Briar Hill Primary Academy	16,768	56,957	73,725		S
Bridgewater Primary School	43,334	198,122	241,456		S*
Brightn Ltd (Braunston Primary School)	314	1,141	1,455		Ad
Brington Primary school	6,142	27,087	33,228		S*
Brixworth CEVC Primary Sch. (NCC)	29,275	132,111	161,386		S*
Brixworth Parish Council	1,387	5,420	6,808		S
Brooke Weston Academy	122,637	349,052	471,688		S
Broughton Primary School (NCC)	12,688	57,238	69,926		S*
Buckton Fields Primary School	2,933	11,879	14,812		S
Bugbrooke Comm Primary Sch. (NCC)	19,065	86,921	105,986		S*
Byfield Academy	8,573	27,944	36,517		S
Campion School	66,549	211,619	278,167		S
Caroline Chisholm (Academy)	90,437	283,265	373,702		S
Castle Primary Academy	32,815	115,962	148,777		S
Caterlink Ltd (Eastfield Academy)	160	639	799		Ad
Caterlink Ltd (The Grange Academy)	522	2,064	2,586		Ad
Cedar Road Primary (Academy)	13,325	46,898	60,223		S
Chacombe CEVA Primary Academy	6,734	24,901	31,635	Y	S
Change-Grow-Live (previously known as CRI Probation)	1,302	5,128	6,431		Ad
Chenderit School (Academy)	36,178	119,108	155,286		S
Chipping Warden Primary Academy	6,306	27,542	33,848		S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Cleantec (Chenderit School)	1,794	6,394	8,189		Ad
Cleantec (The Parker E-ACT)	9,266	31,202	40,467		Ad
Cleantec Services (Grange Primary)	310	1,607	1,918		Ad
Clipton Primary (NCC)	6,248	28,589	34,836		S*
Collingtree C of E Primary School	4,309	17,550	21,860		S
Compass Contract Services (Eastfield Academy and Rockingham Primary School)	1,024	3,257	4,281		Ad
Compass Contract Services (Fairfields School)	1,627	7,217	8,844		Ad
Compass Contract Services (The Abbey Primary School and Standens Barn Primary School)	-	1,195	5,206	-	6,402 Ad
Complementary Education (Academy)	51,013	168,199	219,211	Y	S
Consortium Audit (Warks)	286	3,124	3,409		Ad
Coombs Catering (Thomas Beckett Catholic Academy)	5,187	22,709	27,895	Y	Ad
Corby Borough Council	-	-	9,422	-	9,422 S
Corby Business Academy	67,728	208,893	276,621		S
Corby Old Village School (NCC)	12,726	58,803	71,529		S*
Corby Primary Academy	30,029	99,290	129,320		S
Corby Technical School	39,373	115,866	155,240		S
Corby Town Council	695	2,780	3,475		S
Cottingham C of E Primary Academy	6,757	23,986	30,743		S
Cranford C of E Academy	4,734	17,186	21,919		S
Croughton All Saints C of E Primary (NCC)	6,706	30,069	36,775		S*
Croyland Pri (Well'boro) (NCC)	41,564	190,711	232,275	Y	S*
CSN Resources Limited	21,725	82,306	104,031		S

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Cucina Restaurants (Elizabeth Woodville School)	4,073	16,021	20,094		Ad
Culworth C of E Primary Academy	5,379	22,788	28,167		S
Danesholme Infants Academy	15,737	63,982	79,719		S
Danesholme Junior Academy	16,263	76,135	92,397	Y	S
Daventry District Council	-	53,345	53,345		S
Daventry Hill School	62,924	192,384	255,309		S
Daventry Norse Limited	23,590	106,719	130,309		Ad
Deanshanger Parish Council	1,260	5,518	6,778		S
Deanshanger Primary	22,227	102,552	124,779		S*
Delapre Primary School	36,968	168,265	205,233		S*
Denfield Park Primary (NCC)	28,593	130,108	158,700		S*
Denton Primary School	11,412	51,552	62,963		S*
Desborough Town Council	2,235	8,733	10,968		S
DSL V E-ACT Academy	37,259	132,388	169,647		S
Duston Eldean Primary (NCC)	27,177	124,780	151,957		S*
Duston Parish Council	10,355	41,529	51,884		S
Earls Barton Parish Council	1,390	6,087	7,477		S
East Hunsbury Parish Council	4,010	11,218	15,228		S
East Hunsbury Primary Academy	33,121	131,166	164,287	Y	S
East Midlands MAT HQ	-	-	-		S
Eastfield Academy	10,766	35,476	46,242		S
Easy Clean (Campion Sch)	1,756	6,224	7,979		Ad
Easy Clean Contractors Limited (St Thomas More Catholic Primary)	216	979	1,195		Ad
Easy Clean Contractors Ltd (St Brendan Pri)	513	3,318	3,830		Ad
Ecton Brook Primary (Academy)	40,802	146,045	186,846		S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Ecton Village Academy	3,782	15,140	18,922		S
Elizabeth Woodville Academy	42,327	157,856	200,183		S
emPSN Services Ltd (pre. EMBC)	22,611	55,436	78,047		Ad
Exeter - a learning community	43,190	138,126	181,316		S
Fairfields Special (NCC)	62,175	283,805	345,980		S*
Falconers Hill Academy	9,527	35,543	45,070		S
Falconers Hill Infant School	14,108	54,304	68,412		S
Farthinghoe Primary School	2,952	11,021	13,973		S
Finedon Infants School	11,528	43,796	55,323		S
Finedon Mulso CEVA Junior School	9,748	37,010	46,758		S
Finedon Town Council	1,476	6,720	8,195		S
Freemans Endowed Church of England Junior School	16,271	55,616	71,887		S
Fresh Start Catering Limited	631	2,787	3,418		Ad
Friars Academy	41,794	146,669	188,463		S
Futures Housing Group	27,065	315,660	342,725		Ad
Gateway School (NCC)	26,473	116,150	142,624		S*
Gayton Church Of England Primary School	7,876	35,159	43,035		S
Glaphthorn Church of England Primary School	6,310	22,972	29,281		S
Grand Union Housing Group	69,478	340,256	409,735		Ad
Grange Park Parish Council	2,004	7,750	9,754		S
Grange Primary Academy	18,992	70,465	89,457		S
Great Addington CEVA Academy	5,148	19,287	24,435		S
Greatwell Homes	30,496	14,513	45,009		Ad
Green Oaks Academy	14,615	57,611	72,227		S

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Greenfields Primary School and Nursery	22,102	72,887	94,989		S
Greenfields School & Sports College	46,576	159,916	206,492		S
Greens Norton Primary School	9,245	34,388	43,633		S
Gretton Primary School	7,915	26,625	34,541		S
GSO Limited (Prince William and Stimpson Avenue)	2,002	8,227	10,229		Ad
Guilsborough CEVA Primary School	8,495	33,072	41,567		S
Guilsborough School (Academy)	55,181	179,669	234,849		S
Hall Meadow Primary School	21,719	65,763	87,482		S
Hardingstone Academy	10,991	38,091	49,082		S
Harlestone Primary School (NCC)	3,881	18,062	21,943		S*
Hartwell Primary (Academy)	10,237	34,288	44,525		S
Havelock Infants	15,689	57,907	73,596		S
Havelock Junior	17,980	66,946	84,925		S
Hawthorn Community Primary	14,209	53,218	67,427		S
Hazel Leys Primary & Nursery School	17,539	78,235	95,774		S
Headlands Primary (Academy)	49,851	185,286	235,137		S
Henry Chichele Primary School (NNC)	21,510	99,420	120,930		S*
Higham Ferrers Junior School (NCC)	18,913	85,200	104,113		S*
Higham Ferrers Nur & Inf sch (NCC)	19,240	86,241	105,481		S*
Higham Ferrers Town Council	3,510	13,112	16,622		S
Hopping Hill Primary (NCC)	24,448	110,433	134,880		S*
Hospital and Outreach Education PRU	19,849	69,717	89,566		S
Hunsbury Park Primary (NCC)	22,257	107,622	129,879		S*
Huxlow Science College	45,801	172,657	218,458		S
IDVerde	38,296	92,263	130,559		Ad

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Innovate Services Ltd (Campion School)	2,101	10,518	12,619		Ad
Irchester Primary	23,250	96,943	120,194		S
Irthlingborough Junior School	27,197	100,287	127,483		S
Irthlingborough Nursery & Infants School	16,784	63,873	80,657		S
Irthlingborough Town Council	8,545	34,583	43,128		S
Isebrook College Academy	107,860	337,112	444,971		S
Isham C of E Primary Academy	4,213	20,018	24,231		S
Just Ask Estate Services Limited	6,532	28,849	35,381		Ad
Kettering Buccleuch Academy	83,308	245,994	329,302		S
Kettering Park Infants Academy	12,886	63,171	76,056		S
Kettering Park Junior Academy	20,949	82,375	103,324		S
Kettering Science Academy (including Compass Primary)	94,719	293,300	388,019		S
Kier (May Gurney Fleet & Passenger)	24,387	119,106	143,493		Ad
Kier (May Gurney Ltd)	27,943	50,779	78,722		Ad
Kier (May Gurney Nordis)	16,502	55,201	71,703		Ad
Kilsby Academy	5,883	20,021	25,903		S
Kings Heath Primary Academy	18,256	61,085	79,341		S
Kings Sutton Primary Academy	8,002	29,379	37,381		S
Kingsley Primary School	18,864	71,945	90,809		S
Kingsley Special Academy	65,055	245,602	310,657		S
Kingsthorpe College	61,930	240,222	302,153		S
Kingsthorpe Grove P (NCC)	34,288	156,305	190,592		S*
Kingswood Catering (Bridgstock Lathams)	363	1,689	2,052		Ad
Kingswood Catering (Little Harrowden Primary)	387	1,323	1,710		Ad

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Kingswood Primary Academy	16,547	70,202	86,749	S	
Kingswood Secondary Academy	73,633	293,969	367,603	S	
Kislingbury C of E Primary Academy	6,689	27,276	33,965	S	
Latimer Arts College (NCC)	49,397	215,933	265,330	S*	
Legacy Leisure Ltd	997	5,263	6,260	Ad	
Lings Primary (Academy)	21,725	70,930	92,655	S	
Little Harrowden Community Primary School	10,644	35,874	46,519	S	
Loatlands Primary Academy	25,507	94,529	120,037	S	
Loddington C of E Primary School	7,276	24,132	31,408	S	
Lodge Park Academy	42,434	159,912	202,346	S	
Lumbertubs Primary Academy	14,573	52,553	67,126	S	
Magdalen College (Academy)	66,266	251,791	318,058	S	
Maid Marions Ltd	299	1,118	1,417	Ad	
Malcolm Arnold Academy	47,347	148,319	195,666	S	
Malcolm Arnold Prep (DRET)	14,857	47,181	62,038	S	
Manor School Sports College	63,099	208,808	271,907	S	
Maplefields Academy	44,429	156,254	200,683	S	
Mawsley Primary (NCC)	17,031	76,897	93,928	S*	
Maxim Facilities Management Ltd	1,951	7,492	9,443	Ad	
Meadowside Primary School	26,256	117,521	143,776	S*	
Mears Ashby C of E Endowed School	4,534	14,570	19,104	S	
Middleton Cheney Academy	20,115	70,060	90,175	S	
Millbrook Infant (NCC)	15,694	71,238	86,932	S*	
Millbrook Junior School	26,681	121,770	148,450	S*	
Milton Parochial Primary School	4,733	19,318	24,051	S	
Miquill South LTD (Whitefriars School)	916	4,264	5,180	Ad	

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Mitie Care & Custody Ltd	37,571	123,540	161,111	Ad	
Montsaye Academy	63,635	194,124	257,759	S	
Moulton College	233,801	833,404	1,067,206	S	
Moulton Parish Council	9,353	34,601	43,953	S	
Moulton Primary School (NCC)	33,232	151,865	185,097	S*	
Moulton School and Science College	69,957	222,066	292,023	S	
Naseby Academy	3,569	12,848	16,416	S	
Newnham Primary Academy	5,569	22,777	28,346	S	
Newton Road School	23,262	76,044	99,306	S	
Nicholas Hawksmoor Primary School	59,421	219,993	279,414	S	
North Northants Council	4,763,248	21,680,080	26,443,328	S	
Northampton Academy	74,573	214,291	288,864	Y S	
Northampton Borough Council	-	56,754	56,754	S	
Northampton College	378,692	1,411,597	1,790,289	S	
Northampton High School (Girl's Day School Trust)	18,668	123,546	142,214	Ad	
Northampton International Academy	76,268	280,074	356,343	S	
Northampton Partnership Homes Ltd	564,179	3,056,686	3,620,864	S	
Northampton School for Boys	83,060	263,526	346,586	S	
Northampton School for Girls Academy	58,221	296,609	354,831	S	
Northampton Theatres Trust LTD	11,981	151,464	163,445	Ad	
Northampton Town Council	13,060	43,813	56,873	Y S	
Northamptonshire County Council	38,198	526,834	565,032	AA	
Northamptonshire Carers	5,860	21,142	27,002	Ad	
Northamptonshire Fire & Rescue Service	150,299	401,612	551,912	S	
Northamptonshire Sport	35,995	89,461	125,456	Ad	

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Northants Chief Constable	1,900,444	6,103,564	8,004,008	S	
Northants Music & P/A Trust	5,116	-	5,116		Ad
Northants Police & Fire Crime Commissioner	113,833	310,778	424,611	S	
Northgate Sch Arts (Academy)	102,807	317,186	419,992	S	
NSL Ltd	2,624	-	2,624		Ad
Oakley Vale Primary School	16,894	54,791	71,685	S	
Oakway Academy	21,296	88,036	109,332	S	
Old Stratford Primary School	9,876	40,081	49,957	S	
Olympic Primary School Academy	17,729	65,799	83,528	S	
Oundle C of E Primary School	18,800	67,009	85,809	S	
Oundle Town Council	3,572	14,052	17,624	S	
Our Lady Immaculate Catholic Academies Trust HQ staff	20,083	54,348	74,431	S	
Our Lady of Walsingham Catholic Primary School	21,525	75,214	96,740	S	
Our Ladys Catholic Primary School	26,546	136,543	163,089	S	
Overstone Primary School	8,962	40,422	49,383	S*	
Park Junior School	21,080	93,531	114,611	S*	
Parklands Primary School	15,655	61,013	76,668	S	
Parkwood Leisure Ltd (formerly The Castle Theatre)	1,077	4,093	5,171		Ad
Pathfinder Legal Services Ltd (NCC)	112,308	388,204	500,512	S	
Paulerspury C of E Primary (NCC)	6,788	30,086	36,875	S*	
Pboro Diocese Ed. Trust (HQ)	52,889	126,190	179,079	S	
Pineham Barns Primary School (Free School)	14,935	48,367	63,303	S	
Pitsford Primary School	3,739	17,403	21,141	S*	

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Places For People Leisure Management Ltd	6,879	-	6,879		Ad
Polebrook C of E Primary School	4,829	22,182	27,011	S	
Preston Hedge's Primary (Academy)	31,758	97,581	129,340	S	
Prince William Academy	21,737	96,129	117,866	S	
Priors Hall - A Learning Community	19,186	72,631	91,817	S	
Prospects Services	8,973	-	8,973		Ad
Purple Oaks Academy	31,115	113,765	144,880	S	
Pytchley Endowed CEVA Primary School	4,839	22,093	26,932	S	
Queen Eleanor Primary Academy	14,292	51,928	66,219	S	
Raunds Park Infant School	6,069	29,070	35,138	S	
Raunds Town Council	6,593	27,829	34,422	S	
Rectory Farm Primary Academy	15,463	56,076	71,539	S	
Red Kite Academy	50,921	160,520	211,441	S	
Redwell Primary School	18,472	92,552	111,024	Y	S
Redwell Primary School (NCC)	14,334	65,299	79,633		S*
Ringstead C of E Primary Academy	11,204	37,227	48,431	S	
Road Primary School	16,167	73,726	89,894		S*
Rockingham Forest Trust	4,343	9,731	14,074		Ad
Rockingham Primary Academy	15,332	53,100	68,431	S	
Rothwell Junior School	17,469	65,276	82,745	S	
Rothwell Town Council	1,079	4,504	5,583	S	
Rothwell Victoria Infants School	15,292	56,222	71,514	S	
Rowan Gate Primary (NCC)	91,604	409,467	501,071		S*
Rushden Academy	43,870	153,294	197,164	S	
Rushden Primary Academy	21,032	71,135	92,168	S	
Rushden Town Council	16,734	61,593	78,326	S	

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Rushton Primary Academy	5,646	21,233	26,879		S
Ruskin Infant and Nursery School	16,328	66,415	82,744		S
Ruskin Junior Academy	15,805	66,629	82,434		S
Shaw Healthcare	9,503	-	9,503		Ad
Silverstone C of E Primary Academy	12,319	48,056	60,375		S
Silverstone UTC	32,971	84,321	117,292		S
Simon de Senlis Primary Academy	23,727	94,725	118,452		S
Sir Christopher Hatton Academy	75,872	230,379	306,251		S
South End Infant School	20,295	92,219	112,515		S*
South End Junior School (NCC)	19,552	89,506	109,057	Y	S*
South Northants Council	42,106	96,911	139,017		S
Southfield Primary Academy	9,959	40,538	50,496		S
Southfield School for Girls	47,134	160,260	207,393		S
Sponne School (Academy)	87,703	281,275	368,978		S
Sports & Leisure Management (Everyone Active)	2,415	6,689	9,104		Ad
Spratton C of E Primary School	2,795	11,204	13,999		S
Spring Lane Primary School	19,372	70,871	90,243		S
St Andrews Primary Academy	19,899	66,267	86,166		S
St Barnabas	10,946	39,469	50,415		S
St Brendan's Catholic Primary School	11,716	61,191	72,907		S
St Edwards Catholic Primary	11,523	48,111	59,633		S
St Gregory's Catholic Primary School	19,841	78,698	98,539		S
St James C of E Primary School	37,860	132,705	170,565		S
St James Infant School	14,558	48,461	63,019		S
St Loy C of E Primary Academy	2,817	11,421	14,238		S
St Lukes CEVA Primary School Academy	18,500	74,529	93,029		S
St Marys Catholic Primary School	11,097	49,073	60,171		S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
St Mary's CEVA Pri Acad Kettering	18,729	71,229	89,958		S
St Mary's Pri Acad, Burton Latimer	17,197	60,467	77,664		S
St Particks Primary (NCC)	14,690	65,973	80,663		S*
St Peters's C of E Academy	8,539	30,180	38,719		S
St Thomas More Catholic Primary School	10,599	47,270	57,870		S
Standens Barn Primary School	18,205	69,380	87,585		S
Stanwick Academy	8,608	36,938	45,547		S
Stanwick Parish Council	1,102	4,826	5,928		S
Staverton C of E Pri Academy	7,100	33,970	41,070		S
Stimpson Avenue Primary Academy	17,425	67,148	84,573		S
Stoke Bruerne Church Of England School	3,976	18,508	22,484		S
Studfall Infant School & Nursery Academy	27,754	138,406	166,160		S
Studfall Junior School Academy	28,209	123,928	152,138		S
Sunnyside Primary (Academy)	12,301	48,284	60,586		S
Sywell CEVA Primary School	5,025	20,792	25,816		S
Taylor Shaw (Ferrers School)	2,670	10,486	13,157		Ad
The Abbey Primary School	15,399	60,026	75,425		S
The Arbours Primary (Academy)	17,076	55,639	72,715		S
The Avenue Infants School (NCC)	13,728	61,772	75,500		S*
The Bramptons Primary School	4,219	19,717	23,936		S*
The Children's Trust	2,004,810	5,999,745	8,004,555	Y	S
The Coombs Catering Partnership (The Good Shepherd Primary Academy)	382	1,793	2,176		Ad
The Duston School (Academy)	81,138	225,084	306,222		S
The Ferrers School Academy	44,799	150,461	195,260		S
The Good Shepherd Catholic Primary School	15,766	83,615	99,381		S
The Parker E-ACT Academy	199,639	450,358	649,997		S

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
The Spires Academy	12,347	45,650	57,997		S
The University of Northampton	1,207,203	4,618,315	5,825,517		S
Thomas Becket Catholic School	30,233	134,743	164,976		S
Thorplands Primary (Academy)	17,067	58,927	75,994		S
Tharpston Primary (NCC)	30,574	137,752	168,325		S*
Thrapston Town Council	2,911	10,875	13,787		S
Tiffield Church of England Voluntary Aided Primary School	4,385	20,004	24,389		S
Towcester C of E Primary School (Acad)	16,951	82,045	98,996		S
Towcester Town Council	4,668	18,836	23,504		S
Trinity C of E Primary School	6,005	23,691	29,696	Y	S
TTC 2000 Limited	726	2,268	2,994		Ad
Uni of Northampton Enterprises	25,073	-	25,073		Ad
UNITY LEISURE TRUST	50,716	18,915	69,631		Ad
Upton Meadows	28,892	103,836	132,728		S
Upton Parish Council	907	3,682	4,589		S
Veolia UK Ltd	67,762	225,503	293,265		Ad
Vernon Terrace Primary (NCC)	20,027	92,109	112,136		S*
Victoria Primary Academy	25,589	85,929	111,518		S
Voice for Victims and Witnesses Ltd	20,275	65,489	85,764		Ad
Walgrave Primary School	9,566	44,502	54,068		S*
Wallace Road Nursery School	-	26,497	26,497		S*
Warwick Primary Academy	18,713	57,090	75,803		S
Waynflete Infants' (Academy)	7,088	33,210	40,298		S
Weavers Academy	64,142	240,449	304,590		S
Weedon Bec Parish Council	1,348	5,999	7,347		S
Weedon Bec Primary School	22,790	76,612	99,402	Y	S
Weldon Parish Council	-	5,000	5,000		S
Weldon Primary Academy	9,276	42,799	52,075		S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Welford, Sibbertoft and Sulby Endowed School	3,103	13,097	16,200		S
Wellingborough Norse Limited	66,745	-	66,745		Ad
Wellingborough Town Council	5,214	15,463	20,677		S
Welton C of E Primary (Academy)	6,807	22,832	29,639		S
West Haddon Parish Council	1,783	8,428	10,211		S
West Northants Council	5,093,162	23,600,930	28,694,092		AA
Weston Favell Academy	66,090	227,956	294,046		S
Weston Favell C of E Primary School	29,236	105,657	134,893		S
Whitefriars Primary School	24,857	112,090	136,947		S*
Whitehills Primary (NCC)	21,072	97,023	118,096		S*
Whittlebury Church of England Primary School	4,401	20,291	24,692		S
Wilbarston Primary Academy	6,989	19,898	26,887		S
Windmill Primary School	20,324	75,664	95,988		S
Wollaston Primary School	12,021	47,105	59,126		S
Wollaston School (Secondary)	61,324	249,823	311,147		S
Woodford C of E Primary School	6,367	26,816	33,183		S
Woodford Halse C of E Primary Academy	15,180	51,835	67,015		S
Woodland View Primary Academy	19,648	75,973	95,622		S
Woodnewton - A Learning Community	62,425	190,845	253,270		S
Woodvale Primary (Academy)	26,450	85,515	111,965		S
Wootton Parish Council	7,236	26,989	34,225		S
Wootton Park School	60,395	171,318	231,714		S
Wootton Primary (Academy)	23,465	81,010	104,475		S
Wren Spinney Community Academy	42,513	187,061	229,575		S
Wrenn School	71,525	263,801	335,326		S
WSP Management Services LTD	30,601	-	30,601		Ad
Yardley Hastings Primary	8,017	37,372	45,389		S*
<b>Grand Total</b>	<b>24,667,626</b>	<b>98,109,147</b>	<b>122,776,773</b>		

# Investment Policy and Performance

## Introduction

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

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

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

The Fund adopts a long-term perspective, focussing its investment strategy to generate sustainable returns on a risk adjusted basis to grow the Fund's assets to reflect its equally long-term future liabilities. The Pensions Committee, Local Pensions Board, Fund officers and professional advisors have worked hard to develop an enhanced responsible investment (RI) policy, which forms part of our overall investment strategy. The new RI policy sets out our approach to sustainable responsible investment and will help us manage the carbon and climate risks impacting our investments better.

The RI policy was agreed following a consultation that was open to scheme members and scheme employers. You can find a copy of the summary consultation responses and an updated investment strategy statement on our [key documents page](#).

The revised RI policy will inevitably mean some changes to our underlying investments over time. In February 2022, the Investment Sub Committee approved decarbonisation targets to reduce the carbon emissions of listed equities by 25% by 2024 and by 59% by 2030 together with a climate action plan for 2022, 2023 and beyond.

The Fund intends decarbonising the portfolio at the same rate as the European Policy Curve (EPC) meaning the Funds decarbonisation pathway would align with Paris Accord and achieve the ambitions target to reach net zero by 2050 or earlier.

Progress against these targets will be reviewed regularly via a climate dashboard setting out key carbon metrics which will be measured and tracked over time. Regular communication will be provided on how the Fund is progressing on its journey to achieve net zero.

You can find copies of the Funds climate action plan, decarbonisation pathway, and climate dashboard on the [key documents page](#).

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

The Fund will continue to support the principles of the UK Stewardship Code (the "Stewardship Code") in the following year.

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

# Investment Policy and Performance (continued)

## Role of Investment Managers

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

## Active focus

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

## Custodian

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

## Asset Pooling

The Fund is working with ten like-minded LGPS funds to implement the ACCESS asset pool in response to the Government’s LGPS reform agenda. The main aim is to encourage LGPS Funds to work together to form asset pools to “pool investments to significantly reduce costs, while maintaining investment performance.” Individually, the participating funds have a strong performance history and potential for substantial benefits for a group of successful, like-minded authorities collaborating and sharing their collective expertise. Collectively as at 31<sup>st</sup> March 2022, the ACCESS Pool has significant scale with assets of £60bn (of which 58.5% has been pooled) serving 3,500 employers with 1.2 million members including 310,000 pensioners.

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

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

At 31 March 2022, the Northamptonshire Fund had invested £1,494m in sub-funds of the ACCESS Authorised Contractual Scheme and £1,031m in the UBS passive arrangement resulting in £2,525m of assets under pool management representing 75.3% of the Fund’s assets.

During 2022-23 the Fund expects further investment in fixed income sub-funds of the ACS when they become available. The focus for ACCESS in 2022-23 is to continue work performed in 2021-22 to develop a pooled solution for Alternative asset classes. In December 2021, MJ Hudson were appointed implementation advisor for the Pool’s alternative assets.

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

In addition to the savings in Investment Management fees through joint investments, there are other tangible benefits from pooling including a governance dividend (potential for reduced risk due to manager diversification achieved at pool level) and tax savings.

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

# Investment Policy and Performance (continued)

## The Costs of Pooling

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

Northamptonshire's share of costs is reported within Oversight and Governance Costs in Note 11 to the Statement of Accounts and comprises the following:

Operational Costs	2021-22 £000	2015-16 to 2021-22 Cumulative £000
Strategic & Technical	32.6	161.6
Legal	15.0	112.0
Project Management	0.0	81.1
ACCESS Support Unit	44.9	160.5
Other	2.7	29.4
<b>Total Operational Costs</b>	<b>95.2</b>	<b>544.6</b>

## Cost Transparency - continued

	Asset Pool			Non- Asset Pool			Fund Total	
	Direct	Indirect	Total	Direct	Indirect	Total		
	£000	£000	£000	£000	£000	£000	£000	£000
Investment Management Fee	5,542	338	5,880	3,684	1,624	5,308		11,188
Performance Fee	0	0	0	2,015	2,191	4,206		4,206
Transaction taxes	0	0	0	299	138	437		437
Broker commissions	0	182	182	43	25	68		250
Other explicit costs	0	492	492	58	27	85		577
Implicit/indirect transaction costs	0	316	316	-2	570	568		884
Administration	300	0	300	268	638	906		1,206
Governance and Compliance	21	0	21	132	233	365		386
Other	-13	40	27	537	1,890	2,427		2,454
<b>Total</b>	<b>5,850</b>	<b>1,368</b>	<b>7,218</b>	<b>7,034</b>	<b>7,336</b>	<b>14,370</b>		<b>21,588</b>

## Cost Savings

The fee savings for the 2021-22 financial year resulting from the asset pooling agenda exceed £2.114m.

## Cost Transparency

The analysis below shows the investment expenses incurred during financial year 2021-22 between expenses incurred in respect of Pooled Assets held in the ACCESS Pool and those assets held outside of the pool. Direct costs include invoiced costs and costs deducted from the value of fund, or from income generated, in accordance with the fee agreement in place with each manager and explicit transaction costs. Indirect costs include implicit costs and third-party fees and charges. These are indicative estimates provided by Investment Managers as the reporting practices for the Cost of Transparency are still evolving.

# Investment Policy and Performance (continued)

## Investment Allocation and Performance

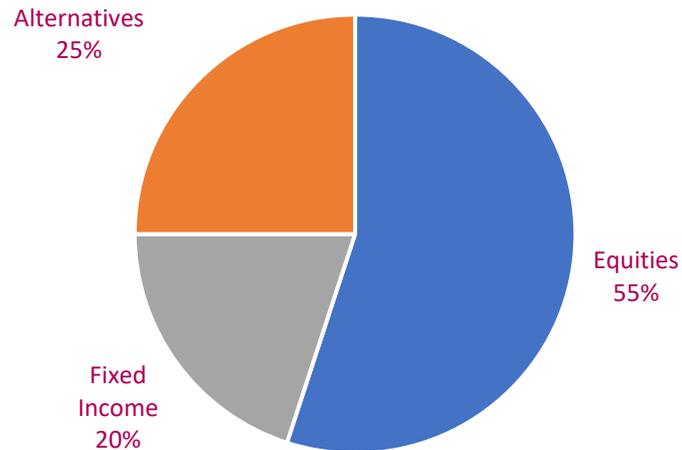
The Pension Fund Committee is responsible for approving the Strategic Asset Allocation proposed by the Investment Sub-Committee (ISC). The ISC performed a full review of the Strategic Asset Allocation during 2018-19 in conjunction with the Fund's Investment Consultants, Mercer Ltd and independent Investment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

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

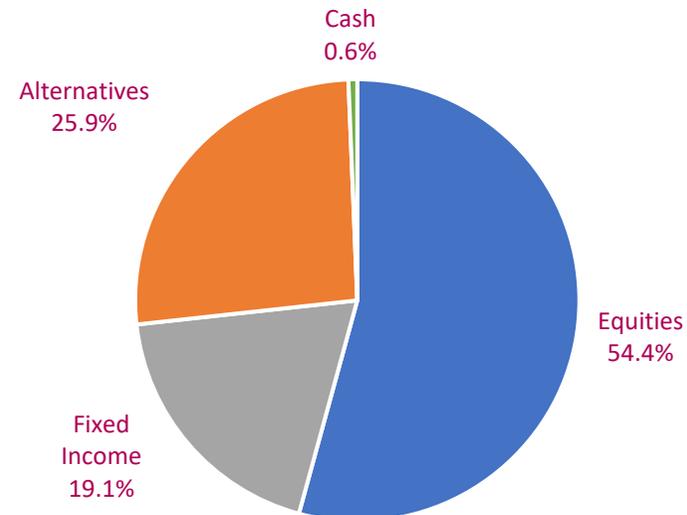
The strategy approved by the Pension Committee in December 2018 aimed to reduce the Fund's reliance upon, and the associated risks, of a large allocation to equities whilst retaining sufficient exposure to growth assets. The strategy focused on a reduction in equities and an increase in Alternative assets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

The charts below show the Strategic Asset Allocation at the close of the financial year compared to the actual allocation of assets as at 31 March 2022.

Strategic Allocation at 31 March 2021



Asset Allocation at 31 March 2022



# Investment Policy and Performance (continued)

Value of Investments held by each of the Fund's Investment Managers on 31 March 2021 and 31 March 2022:

Manager	31 March 2021		31 March 2022	
	£million	% of Total	£million	% of Total
<b>Equities</b>				
Majedie UK Equity	278.3	9.0	293.9	8.8
UBS UK Passive Equity	24.5	0.8	27.4	0.8
Newton Global Equity	284.1	9.2	313.7	9.4
Baillie Gifford - Long Term Global Growth	259.5	8.4	223.3	6.7
Longview Global Equity	250.7	8.1	286.5	8.5
UBS Passive Global Equity	634.7	20.5	676.5	20.2
<b>Fixed Income</b>				
UBS Index Linked Gilts	311.8	10.1	327.1	9.8
BlueBay	143.1	4.6	157.1	4.7
M&G Alpha Opportunities	142.3	4.6	154.6	4.6
<b>Alternatives</b>				
CBRE Property	204.5	6.6	248.5	7.4
Baillie Gifford – Diversified Growth	214.4	7.0	221.7	6.6
M&G Real Estate	44.5	1.4	60.8	1.8
HarbourVest	68.9	2.2	104.6	3.1
Adams Street	44.0	1.4	82.3	2.5
AMP Capital	38.1	1.2	34.7	1.0
Allianz	20.1	0.7	17.1	0.5
IFM Infrastructure	48.1	1.6	58.3	1.7
JP Morgan	45.6	1.5	44.7	1.3
Catapult	0.5	0.0	0.5	0.0
<b>Cash</b>	<b>33.8</b>	<b>1.1</b>	<b>21.5</b>	<b>0.6</b>
<b>Total</b>	<b>3,091.5</b>	<b>100.0</b>	<b>3,354.8</b>	<b>100.0</b>

# Investment Policy and Performance (continued)

## Total Fund Performance

The total investment return for the Fund over the financial year was 8.2% net of fees compared with a weighted benchmark return of 10.8%. In the previous year the total investment return was 27% compared with a weighted benchmark of 22.9%. The Fund's total investment return was 9.6% p.a over the three years to 31 March 2022, 7.7% p.a over the five years to 31 March 2022, and 9.3% p.a over the ten years to 31 March 2022.

## Performance of Managers

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

Asset Class /Manager	1 year (% p.a)			3 year (% p.a)			10 year (% p.a)		
	Return	Benchmark	Variance	Return	Benchmark	Variance	Return	Benchmark	Variance
Majedie UK Equity	5.6	13.0	-7.4	3.3	5.3	-2.0	7.1	7.2	-0.1
Newton – Global Equity	10.8	12.4	-1.6	13.9	13.4	0.5	13.2	12.1	1.1
Baillie Gifford - Long Term Global Growth	-13.9	12.4	-26.3	n/a	n/a	n/a	n/a	n/a	n/a
Longview Global Equity	14.6	12.4	2.2	n/a	n/a	n/a	n/a	n/a	n/a
UBS – Passive Equity	10.4	10.3	0.1	11.7	11.6	0.1	12.4	12.5	n/a
UBS Index Linked Gilts	4.8	4.8	0.0	2.2	2.2	0.0	n/a	n/a	n/a
BlueBay	-0.8	0.1	-0.9	n/a	n/a	n/a	n/a	n/a	n/a
M&G Alpha Opportunities	0.3	4.1	-3.8	n/a	n/a	n/a	n/a	n/a	n/a
Baillie Gifford - DGF	3.4	3.7	-0.3	3.7	3.9	-0.2	n/a	n/a	n/a
CBRE - Property	19.4	13.1	6.3	4.8	8.1	-3.3	6.3	8.1	-1.8
M&G – Residential Property	4.4	6.0	-1.6	2.4	6.0	-3.6	n/a	n/a	n/a
HarbourVest – Private Equity	6.6	19.8	-13.2	92.2	19.8	72.4	n/a	n/a	n/a
Adams Street – Private Equity	73.9	19.8	54.1	47.8	19.8	28.0	n/a	n/a	n/a
AMP Capital – Infrastructure Debt	11.7	10.0	1.7	5.1	10.0	-4.9	n/a	n/a	n/a
Allianz – Infrastructure Debt	-7.3	4.0	-11.3	3.0	4.0	-1.0	n/a	n/a	n/a
IFM Infrastructure	21.2	10.0	11.2	n/a	n/a	n/a	n/a	n/a	n/a
JP Morgan	3.9	10.0	-6.1	n/a	n/a	n/a	n/a	n/a	n/a

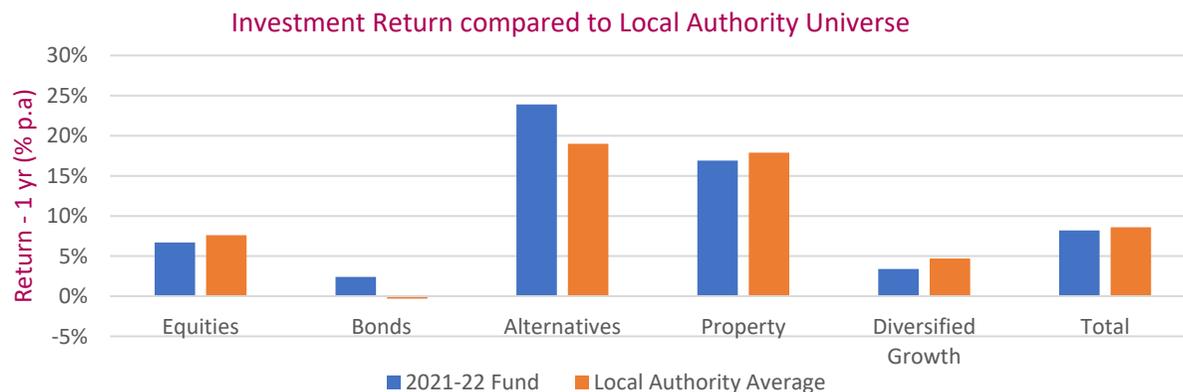
n/a = Not invested for the full period therefore no meaningful performance measure is available

# Investment Policy and Performance (continued)

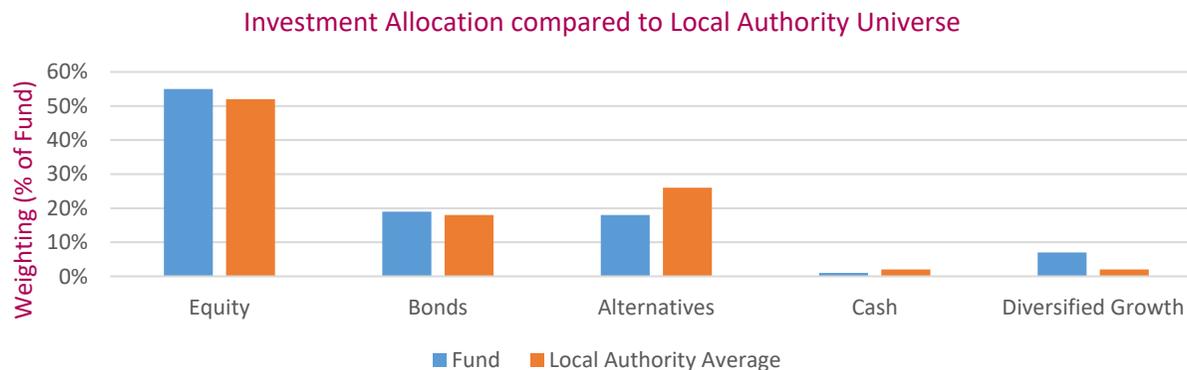
## Performance in Comparison with Local Authority Universe

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

In 2021-22 the Fund's performance of 8.2% net of fees over the financial year was ranked 49<sup>th</sup> percentile out of the 63 Funds participating in the Universe. The investment return achieved was influenced by the Fund's holding of a higher proportion of pooled investments.



The Fund's current strategy has a higher allocation to Equities and a lower allocation to Alternatives when compared to the Local Authority Universe.



# Investment Policy and Performance (continued)

## Climate Change Report

### Executive summary

The Fund recognises the systemic risk associated with climate change and the views and aspirations of other scheme employers and scheme members.

In order to manage this systemic risk and to align with its support of the Paris Agreement and a “just transition”, the Fund currently expects that its investment portfolio will be net carbon neutral by 2050, in line with UK Government’s targets.

The Fund is working to produce climate change reporting that complies with the Task Force on Climate-Related Financial Disclosures (TCFD) framework, expected to become mandatory for LGPS Funds in the coming years. This report provides a summary of the Fund’s position as it relates to climate change, assessed across the four pillars under the TCFD Framework:

- **Governance:** How the Pension Fund Committee maintains oversight and incorporates climate change into its decision making;
- **Strategy:** How potential future climate warming scenarios could impact the Fund;
- **Risk Management:** How climate-related risk is incorporated in the Fund’s broader risk management processes; and
- **Metrics and Targets:** How the Committee measures, and monitors progress against different climate related indicators known as metrics and targets.

### Governance

The Administering Authority has delegated to the Pension Fund Committee (“Committee”) the power to determine and maintain the

Fund’s strategies, policies and procedures. Implementation of the strategy and the monitoring of performance is delegated to the Investment Sub-Committee (“ISC”), for which the membership is drawn from the Committee.

Research into how climate-related risks and opportunities impact financial markets is constantly evolving and expanding. The Committee or its ISC receives training on a regular basis to keep up-to-date with developments and will allocate time on meeting agendas to cover items such as climate-change scenario analysis or reporting of metrics.

During the Fund year, the Committee or ISC received various training sessions covering climate-related investment risks and reporting requirements in line with the TCFD recommendations. The Committee acknowledges that the reporting of climate-related risk is relatively new and the collective experience of the Committee and ISC will grow over time.

Climate change will form an explicit agenda item at least annually for the Committee or ISC when the Fund’s annual climate change / TCFD report is updated. It will also be covered as part of other agenda items as part of a wider discussion of funding or investment strategy, or as part of the investment manager appointment and review discussions.

### Strategy

Given the uncertainty around the timing and impact of climate-related transition and physical risks, the ISC considered three climate scenarios or ‘warming pathways’ i.e. the expected degrees of warming of the atmosphere by the end of the century relative to pre-industrial levels, to help test the resiliency of the Fund’s investment strategies at the strategic level.

# Investment Policy and Performance (continued)

Whilst a lower warming pathway (2°C scenario) is one in which governments, businesses and society should aim for as a minimum, there is a possibility that a failure to reduce GHG emissions quickly enough could set off irreversible feedback loops that significantly warms the planet (as modelled by 3°C and 4°C scenarios).

**The Fund will be impacted by climate change, regardless of the scenario that unfolds.**

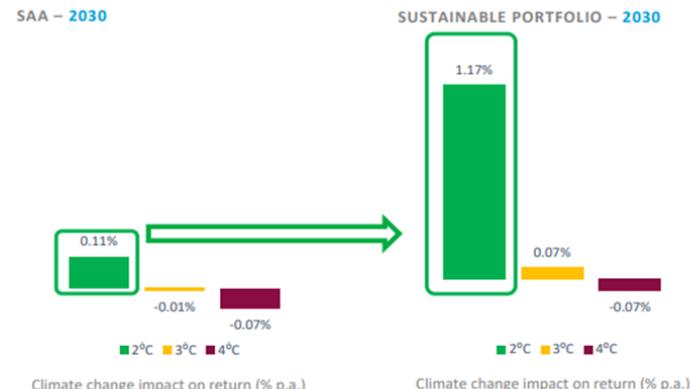
## Resilience of the Fund's investment strategy

The table below shows how a 2°C scenario leads to enhanced projected returns for the Fund's investment strategy versus 3°C or 4°C scenarios, with the greatest Impact over the period to 2030.

Warming pathway scenario	Year	Climate change impact on return (% per year)
2°C	2030	0.11%
2°C	2050	-0.05%
2°C	2100	-0.07%
3°C	2030	-0.01%
3°C	2050	-0.06%
3°C	2100	-0.09%
4°C	2030	-0.07%
4°C	2050	-0.13%
4°C	2100	-0.16%

## Transition opportunities emerge from a 2°C scenario

The graphic to the right illustrates the benefits of investing sustainably (i.e. in a portfolio broadly aligned with the Fund's investment strategy but where asset class exposures are mapped to sustainable equivalents).



Under the 2°C scenario, to 2030, the Sustainable Portfolio is expected to benefit by up to +15.0% on a cumulative basis, compared with the Fund's current investment strategy.

## Key findings of the analysis

Investing for a 2°C scenario is both an imperative and an opportunity the Fund should address.

- An imperative, since, for nearly all asset classes and timeframes, a 2°C scenario leads to enhanced projected returns versus 3°C or 4°C and a better investment outcome.
- An opportunity, since, although incumbents can suffer losses in a 2°C scenario, there are many notable investment opportunities enabled in a low-carbon transition, including sustainability themed investments in listed and private equities to infrastructure and fixed income.

Climate scenario analysis is an ever evolving space and, as such, the scenarios modelled and reported may be subject to review in future periods. It is important to note that the modelling may understate the true level of risk due to the uncertainty around the future economic impacts of climate change.

# Investment Policy and Performance (continued)

## Risk Management

This section summarises the primary climate-related risk management processes and activities carried out for the Fund. These assist with understanding the materiality of climate-related risks, both in absolute terms and relative to other risks that the Fund is exposed to.

Governance	<p>The Fund recognises the systemic risk associated with climate change and the views and aspirations of other scheme employers and scheme members.</p> <p>The Fund has acknowledged the risk to the Fund of climate change in its Risk Register: “As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund’s investments.”</p> <p>The Officers maintain a Climate Action Plan which is reviewed and updated on a regular basis. This document forms part of the ISC’s wider business plan and summarises the progress, actions and outcomes of scheduled climate-related investment projects and tasks.</p>
Strategy	<p>The Fund’s advisers will take climate-related risks and opportunities into account as part of the wider strategic investment advice provided to the Committee and ISC. This includes highlighting the expected change in climate-risk exposure through proposed asset allocation changes, both from the top-down level (via climate scenario analysis) and bottom-up (via climate-related metrics). Climate scenario analysis for the investments of the Fund will be reviewed periodically.</p>

Reporting	<p>The ISC will receive an annual climate dashboard providing an update on climate-related metrics and progress against targets in respect of the assets held in the Fund. The ISC may use the information to engage with the Fund’s investment managers.</p> <p>A quarterly stewardship monitoring report is being introduced in 2022-23 which summarises how the investment managers choose to vote and engage on climate-related issues (among other key engagement priorities).</p>
Manager selection and retention	<p>The ISC, with advice from its advisers, will consider an investment manager’s firm-wide and strategy-specific approach to managing climate-related risks and opportunities when either appointing a new manager, in the ongoing review of a manager’s appointment, or as a factor when considering the termination of a manager’s appointment.</p>

### What are the climate-related risks and opportunities?

The Fund has considered two types of climate-related risks and opportunities in its climate scenario analysis:

#### 1. Transition risks and opportunities

This covers the potential financial and economic risks and opportunities from the transition to a low-carbon economy (i.e. one that has a low or no reliance on fossil fuels), in areas such as:

- Policy and legislation
- Market
- Technology
- Reputation

# Investment Policy and Performance (continued)

Risks include the possibility of future restrictions, or increased costs, associated with high carbon activities and products.

There are also opportunities, which may come from the development of low-carbon technologies. In order to make a meaningful impact on reducing the extent of global warming, most transition activities need to take place over the next decade and certainly in the first half of this century.

## 2. Physical risks and opportunities

The higher the future level of global warming, the greater physical risks will be in frequency and magnitude. Physical risks cover:

- Physical damage (storms; wildfires; droughts; floods)
- Resource scarcity (water; food; materials; biodiversity loss)

Physical risks are expected to be felt more as the century progresses though the extent of the risks is highly dependent on whether global net zero greenhouse gas emissions are achieved by 2050.

There are investment opportunities, for example, in newly constructed infrastructure and real estate that are designed to be resilient to the physical impacts of climate change, as well as being constructed and operated in a way that have low or no net carbon emissions. There are also opportunities for investment in those companies or industries that focus on energy conservation and resource efficiency.

## Metrics and targets

### Metrics

The primary metrics that are used by the Fund to measure climate-related impact are:

- Absolute emissions. This is the total emissions of seven major GHGs associated with the investments held (carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulphur hexafluoride and nitrogen trifluoride).

- Carbon footprint. This is the total emissions per million pounds invested.
- Weighted average carbon intensity (WACI). This is the total emissions per million pounds of sales

### Limitations of emissions data

The Fund is aware of issues around data quality, in particular carbon data for many private companies, governments and asset classes is not currently sufficiently robust to set targets against. The Fund has therefore focused on the listed equity portfolio initially, given data quality is more robust within this asset class and it comprises a majority of the Fund's strategic investment portfolio. The Fund will seek to include other asset classes in its carbon reporting as this data quality improves over time.

The Fund is also aware that Scope 3 emissions data, i.e. covering indirect emissions from the value chain such as those embedded in material inputs or freight, is an area that needs development and as such it is not included in the Fund's target-setting process. However, the Fund will continue to collect this data to inform its engagement with investment managers.

### Targets

The Fund's overall climate-related objective is to align its portfolio with a 'pursue efforts towards 1.5°C' objective - i.e. net zero by 2050.

The Fund uses absolute emissions as the base line measure for a de-carbonisation pathway as it:

- Gives a 'real world' measure of the amount of carbon the Fund's portfolio is responsible for emitting
- Less likely to be susceptible to skews from carbon offsetting
- Less impacted by other external factors such as corporate sales due to changes in wholesale prices e.g. oil and gas prices

# Investment Policy and Performance (continued)

On this basis, the Fund has also set interim targets for the listed equity portfolio in order to make progress towards the Fund's overall climate objective:

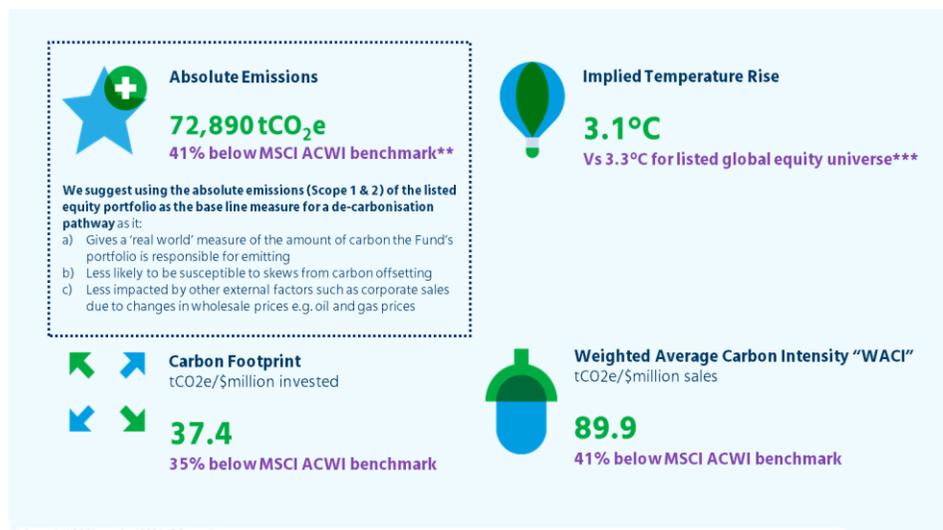
1. Emissions reductions of 25% (from the 2021 baseline) by 2024
2. Emissions reductions of 59% (from the 2021 baseline) by 2030

## Carbon reporting dashboard

The Fund's metrics, initially measured in 2021 and to be used as a baseline for future targets, are set out in a publicly available carbon reporting dashboard<sup>1</sup> :

The 2021 metrics are based on Scope 1 and 2 emissions data for the listed equity portfolio.

The dashboard will be updated on an annual basis.



\* Agreed at 30 November 2021 ISC meeting  
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<sup>1</sup> <https://pensions.northamptonshire.gov.uk/app/uploads/2022/04/CarbonReportingDashboardNPF.pdf>

# Investment Policy and Performance (continued)

## Investment Review – Financial Year to 31<sup>st</sup> March 2022

David Crum ASIP, May 2022

### Ukraine

As the Fund's financial year was drawing to a close, we saw the worst of human behaviour in action, following Russia's invasion of Ukraine. This unjustified and wholly unwarranted aggression against a sovereign nation has had tragic consequences for Ukraine and Ukrainians, has potentially tragic consequences for a wider group of poorer nations that rely on Ukrainian wheat exports, and has seen a concerted effort by a significant number of countries to marginalise and punish President Putin's Russia.

Setting aside the horrific human tragedy and wanton destruction occurring on a daily basis in Ukraine, the financial punishment being meted out to Russia is unprecedented in its scope in recent history. Whilst President Putin may well have expected some consequences for his invasion, it's doubtful that he would have expected the breadth and depth of sanctions and other punitive actions that have taken place. For Europe to be considering a ban on the import of Russian oil and gas by the end of 2022 is nothing short of seismic, and along with many Russian banks being excluded from global capital markets and the SWIFT interbank payment system, these steps have left Russia in a much-weakened position, both economically and in terms of influence.

It is hard to see how President Putin / Russia can achieve any kind of demonstrable victory in Ukraine. Having laid bare to the world the shortcomings of the Russian army, equipment and tactics when faced with a determined and externally supported defender, what happens next is likely to dictate the duration of Russian isolation. From all evidence to date, it seems unlikely that Russia will withdraw from Ukraine any time soon, and so a drawn-out war of attrition seems a very real possibility. The financial impact of this war on the Russian economy has been, and will continue to be, severe and Russia will remain a pariah state from an investment perspective for some time to come. From the Fund's perspective, it held relatively little in the way of direct Russian investments, As at March 2022, direct exposure to Russian, Ukrainian and Belarusian investments was estimated at £0.8m across the Northamptonshire Fund's pooled and non-pooled investments. This represents 0.02% of the Fund's assets.

## Economic Background & Market Review

Region / Asset Class	Index	12 months % return GBP
<b>UK</b>	FTSE All Share	13.0
<b>Europe</b>	FTSE Europe X UK	6.5
<b>US</b>	S&P 500	21.2
<b>Japan</b>	TOPIX	-2.7
<b>Asia</b>	MSCI AC Asia ex Japan	-10.6
<b>Emerging Markets</b>	MSCI Emerging Markets	-7.1
<b>UK Government Bonds</b>	FTSE A Over 15 Year Gilts Index	-7.2
<b>UK Index Linked Bonds</b>	FTSE A Over 5 Year Index Linked Gilts Index	4.8
<b>Global Bonds</b>	Merrill Lynch Global Broad Market Corporate index	-1.7
<b>UK Property</b>	MSCI All Balanced Property Funds Index	23.1

Source: Thomson Reuters Datastream

The 2021/22 financial year got off to a relatively positive start in investment terms, with equity markets around the world continuing to recover from the Covid-induced lows seen at the end of March 2020, in part driven by company earnings being higher than forecast. Investors saw an improving economic environment, with sentiment becoming increasingly positive as Covid vaccination efforts ramped up across many (but not all) countries. A path out of the lockdowns and associated restrictions in travel seemed within grasp, and markets responded accordingly to this perceived positive outcome. However, as the year progressed, inflation concerns - and associated monetary policy tightening by central banks to try to contain it - grew, affecting bond valuations. This resulted in higher yields and was negative for longer duration bonds. The events in Ukraine sent markets tumbling in February 2022, and whilst that negative market impact appeared to dissipate towards the end of March 2022, the invasion amplified investor concerns of increasing inflation and rising interest rates.

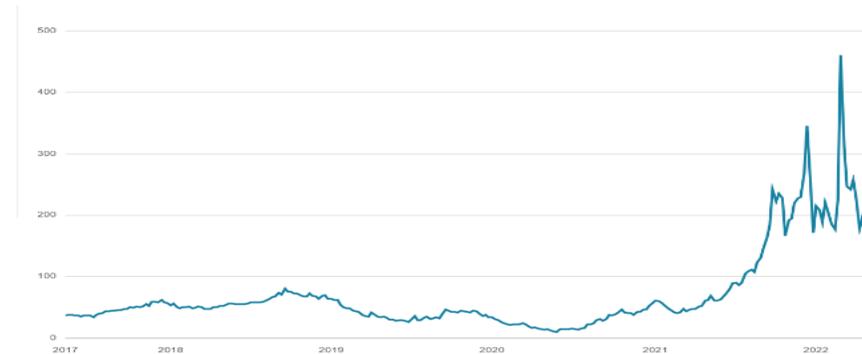
# Investment Policy and Performance (continued)

## Inflation

Having had a historically benign inflationary environment for a number of years, we saw inflationary pressures build relatively rapidly during the Fund's financial year. Real world issues, as diverse as lockdown-caused microchip shortages for new cars and the post-lockdown demand bounce back on oil and gas, started to impact many businesses and consumers alike. Here in the UK, the Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 6.2% in the 12 months to March 2022. The largest upward contributions to the annual CPIH inflation rate in March 2022 came from housing and household services (1.49 percentage points, principally from electricity, gas and other fuels, and owner occupiers' housing costs) and transport (1.47 percentage points, principally from motor fuels and second-hand cars). However, it has been the increase in the costs of oil and gas that have arguably been the most dramatic:



*Brent Crude Oil*



*UK Natural Gas*

It seems hard to believe that Brent Oil was trading at \$25 a barrel at the end of March 2020. At the start of April 2021, it was trading at just under \$65, and ended the financial year at almost \$105 a barrel – an increase of over 60% during the year. Natural gas had an even more stratospheric rise in price, from a cost of £46 a therm at the end of March 2021 to just over £257 at the end of March 2022 – an increase of over 550%. There are a number of reasons as to why energy prices have spiked so markedly, but the key ones relate to climate change-influenced supply/capacity decisions, the post-lockdown resumption of economic activity and Russia's invasion of Ukraine. With this significant increase in the price of energy supplies, it was inevitable that the increasing operating cost for businesses would be passed through to consumers where possible. The increase in the cost of oil & gas (and the knock-on effect of the cost of electricity generation) is having a material impact not only on businesses and the Fund's investee companies, but also on individuals, especially those who live in 'fuel poverty', with no immediate relief on the horizon.

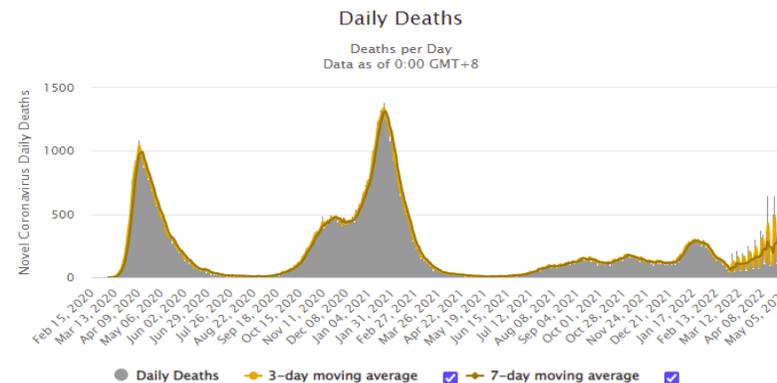
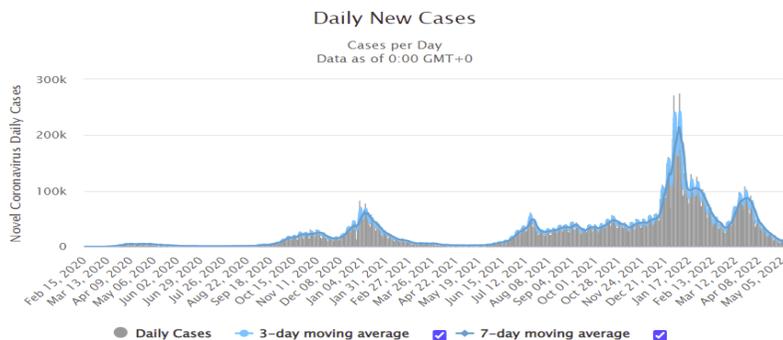
# Investment Policy and Performance (continued)

## Interest Rates

Due to these increasing inflationary pressures, both the Bank of England (Bank) in the UK and the Federal Reserve (Fed) in the US moved to try to contain inflation by raising interest rates. Having both acted quickly to reduce rates at the start of the pandemic in 2020, the Bank and the 'Fed' had to adjust their respective monetary policies in an attempt to prevent the UK and US economies from overheating. During the financial year, the Bank of England base rate rose from 0.1% to 0.75%, and the US federal funds rate from 0.25% to 0.5% (with another 0.5% increase taking place in early May 2022, bringing the US rate to 1% at the time of writing). In Europe, the European Central Bank (ECB), which last raised its deposit rate in 2011, left that rate unchanged at -0.5%, but it seems likely to follow the UK and the US by increasing the rate in the coming months.

It remains to be seen if inflationary pressures can be contained through rate rises, not least due to the fact that workers (not unreasonably) expect pay settlements to reflect the increasing cost of living. The generally held view is that the Bank of England, the Fed and the ECB have relatively little scope to increase interest rates markedly, given the current state of household finances. It also remains to be seen if the inflationary pressure is as temporary as some commentators hope.

## COVID



At the time of writing the last Investment Review, we have had a year of living with Covid, and the consequences it had wrought on our lives and our way of living. We had also seen significant falls in the value of equity markets across the world, followed by their gradual recovery over time as we grappled with the challenges presented by the virus.

The arrival of the Omicron mutation of the Covid-19 virus in the UK towards the end of 2021 saw a significant increase in new daily cases, but thankfully the (what can now be seen as) successful rollout of the UK vaccination programme seemed to be the key factor in ensuring that deaths did not reach the levels that they had in Q4 2020. As a result, the financial impact on the UK economy was not as large as the initial impact of Covid. This may also be in part due to other factors – e.g., working from home – which have added some resilience to some sectors of the economy in the face of a public health crisis.

However, many countries have not had such a comprehensive vaccine rollout as the UK, and so Covid remains an ongoing threat not just to personal health and wellbeing, but to global economic activity, and is likely to continue to impact investment returns, particularly in countries who are still in the early stages of rolling out their vaccination programmes.

# Investment Policy and Performance (continued)

## COP26

The COP26 international climate conference took place in Glasgow from 31 October to 12 November 2021. The main conference goal was to secure global 'net zero' greenhouse gas emissions by mid-century and keep a maximum of +1.5 C degrees of warming within reach. A new global agreement - the Glasgow Climate Pact - was reached at the summit which set the global agenda on climate change for the next decade:

*Emissions:* it was agreed countries would meet in 2022 to pledge further cuts to emissions of carbon dioxide. Current pledges, if met, will only limit global warming to about 2.4C.

*Coal:* For the first time at a COP conference, there was an explicit plan to reduce the use of coal - which is responsible for c.40% of annual CO2 emissions. However, countries only agreed a weaker commitment to "phase down" rather than "phase out" coal after a late intervention by China and India.

*Developing countries:* The agreement pledged to significantly increase money to help poor countries cope with the effects of climate change and make the switch to clean energy. There was also the prospect of a \$1 trillion a year fund from 2025 (despite a previous pledge for richer countries to provide \$100bn a year by 2020 being missed).

*Fossil fuel subsidies:* conference attendees agreed to phase-out subsidies that artificially lower the price of coal, oil, or natural gas. However, no firm dates were set.

The relatively slow progress in relation to addressing man-made climate change is not the only pressing environmental challenge we face that has the potential to impact the Fund's investments. Published in 2009 and updated regularly, the Planetary Boundaries Framework demarcates a safe operating space for humanity, beyond which civilization could collapse, and life as we know it is significantly altered. The 9 boundaries cover climate change, biosphere integrity (functional and genetic), land-system change, freshwater change, biogeochemical flows (nitrogen and phosphorus), ocean acidification, atmospheric aerosol pollution, stratospheric ozone depletion, and release of novel chemicals (which includes pollution by plastics and other humanmade substances).

From an investment perspective, it is of critical importance that Environmental, Social and Governance ('ESG') factors are increasingly taken into account by the Fund's external investment managers, in terms of the investments they buy and hold on behalf of the Fund and the scheme beneficiaries. These same asset managers are on the front line in terms of influencing investee company and lender behaviour. It seems entirely sensible that successful investment appraisal should consider all risk and opportunity factors, which means moving beyond just financial considerations.

Investors are increasingly looking to their asset managers to attempt to 'internalise' these ESG 'externalities' into their investment appraisal processes, and to report back on their results. The Fund's new Responsible Investment Policy was approved during the year, and work is ongoing in terms of assessing and understanding how the Fund's managers are identifying and integrating ESG factors into their respective investment processes, and how they might best communicate this information to investors such as the Fund.

## Fund Investment Performance

Fund Investment Performance	1 Year Performance	3 Year Performance (p.a.)	5 Year Performance (p.a.)
Northamptonshire Pension Fund	8.2%	9.6%	7.7%
Fund Benchmark	10.8%	9.2%	7.6%

The Fund returned 8.2% for the year to 31st March 2022, underperforming the benchmark return of 10.8%. This underperformance was primarily due to the majority of the Fund's active equity managers trailing their specific benchmarks to a greater or lesser extent. The total performance of the Fund's equity investments was 6.6% versus a benchmark return of 11.8%. In terms of specific manager performance, Baillie Gifford, who had had such a stellar year in 2020/21, delivered a return of -13.9% against a benchmark return of 12.4% for their Global Equities mandate.

# Investment Policy and Performance (continued)

The Fund's fixed interest allocation modestly underperformed when compared against its benchmark (2.4% actual return vs 3.6% benchmark return), with only the passive investments managed by UBS matching their benchmark return. The relatively newly appointed 'Multi-Asset Credit' managers, BlueBay and M&G, both had a challenging year, delivering below benchmark returns.

The Fund's Alternatives exposure, however, performed well, returning 16.2% against a benchmark of 13.4%. In aggregate, the Fund's infrastructure investments performed strongly, as did the Private Equity investments. The Fund's commercial property investments returned 19.4% for the financial year, underperforming the benchmark return of 23.1%.

In conclusion, whilst the Fund's investment performance did not beat the benchmark for the most recent 1-year period, the Fund remains ahead of its benchmark over the 3-year (9.6% p.a. vs 9.2% p.a.) and 5-year (7.7% p.a. vs 7.6% p.a.) time periods. It is worthwhile remembering that we judge success over the longer term, and expect there to be fluctuations in investment returns over shorter time periods.

## Investment Strategy

Having reached 31<sup>st</sup> March 2022, it is now time for the Fund to undertake the triennial Actuarial Valuation, to create an up-to-date position of the Fund's pension liabilities. After the Actuarial Valuation exercise has been completed, attention will turn to the Fund's investment strategy, to consider whether it remains in tune with the scheme's liabilities. It would be wrong to prejudge the formal Investment Strategy Review, but what seems reasonable to say is that the Fund's investment approach is likely to continue to reflect a sensible diversification of investment risk, keeping the need to generate sufficient returns to pay the benefits in mind, and also being mindful of the long-term nature of investing whilst addressing the increasing ESG challenges we face.

## Outlook

The war in Ukraine remains a worrying factor, and there is not insignificant risk that an increasingly cornered Russia may lash out, widening the conflict in Europe. Whilst the war may have shown China how not to go about the

'reunification' of Taiwan, it could perversely be seen as a green light to attempt to do so by Beijing. Despite the recent potentially encouraging steps the Chinese government has taken to "clean up" the Chinese real estate sector, continuing pressure on the sector is likely as the credit turmoil associated with China's second-largest property developer seems set to continue. It still remains to be seen if Brexit will be good or bad for the UK, in both a political and economic sense - whilst other events have pushed it down the agenda, it has not gone away.

The drive in Europe to move away from Russian oil and gas is likely to have a beneficial effect in terms of investment opportunities in renewable energy sources, and greater energy independence and security for the region. There are also challenges ahead, not least of which may well be the providers of replacement oil and gas to whom Europe turns.

The biggest challenges investors face over the coming year are likely to continue to be linked to inflation. Long-term investors such as the Fund can ride out periods of higher inflation, in part due to the fact that long-term equity returns have historically outpaced inflation. The Fund also benefits from having specific investments where the return is linked to prevailing inflation – for example, the Fund's allocation to Index Linked bonds. However, inflation also impacts the Fund's liabilities, as pensions have inflation increases built in. Central banks have their work cut out in trying to manage inflationary pressures via monetary policies that have little headroom for significant interest rate rises, and the relative indebtedness of households means that consumer demand could falter as finances continue to be squeezed.

# Actuarial Information

## Northamptonshire Pension Fund (“the Fund”) Actuarial Statement for 2021-22

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

### Description of Funding Policy

The funding policy is set out in the Administering Authority’s Funding Strategy Statement (FSS), dated March 2020. In summary, the key funding principles are as follows:

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

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still at least a 70% likelihood that the Fund will return to full funding over 20 years.

### Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund’s assets, which at 31 March 2019 were valued at £2,502 million, were sufficient to meet 93% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £176 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers’ contributions for the period 1 April 2020 to 31 March 2022 were set in accordance with the Fund’s funding policy as set out in its FSS.

### Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2019 valuation report.

#### Method

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

# Actuarial Information (continued)

## Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2019 valuation were as follows:

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

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

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

\*Aged 45 at the 2019 Valuation.

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

## Experience over the period since 31 March 2019

Markets were severely disrupted by COVID 19 in March 2020, but over most of 2020-21 and 2021-22 they recovered strongly. However, due to the war in Ukraine, March 2022 markets were particularly volatile, which affects values as at the accounting date. All other things being equal, the funding level of the Fund as at 31 March 2022 is likely to be better than that reported at previous formal valuation as at 31 March 2019.

It is important to note that the formal triennial funding valuation exercise is as at 31 March 2022 and this may show a different picture when the finalised position is disclosed in next year's annual report. In particular, changes in Fund membership, changes in anticipated real investment returns, and changes in demographic assumptions will affect the valuation results. The Funding Strategy Statement will also be reviewed as part of the triennial funding valuation exercise.

Robert McInroy FFA

6 May 2022

For and on behalf of Hymans Robertson LLP

# Actuarial Information (continued)

## Extract from the Actuarial Valuation Report

### Executive Summary

We have carried out an actuarial valuation of the Northamptonshire Pension Fund (“the Fund”) as at 31 March 2019. The results are presented in this report and are briefly summarized below.

### Funding Position

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

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

The improvement in funding position between 2016 and 2019 is mainly due to strong investment performance over the inter-valuation period, coupled with the positive impact on the liabilities of actual pay and benefit growth being lower than expect.

### Contribution Rates

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

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

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

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

Robert McInroy FFA

Douglas Green FFA

31 March 2020

For and on behalf of Hymans Robertson LLP

# Audit Opinion

# Audit Opinion

# 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.

**IN-SPECIE TRANSFER** Transferring an asset 'in specie' means to transfer the ownership of that asset from one person/company/entity to another person/company/entity in its current form, that is without the need to convert the asset to cash. In specie transfers involve a transfer of assets between two pension schemes.

**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.

**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.