



# Local Pension Board

A meeting of the Local Pension Board will be held in the Walton Room, The Guildhall, Northampton on Thursday 25 January 2024 at 2.00 pm

## Agenda

1.	<b>Apologies for Absence</b>
2.	<b>Declarations of Interest</b> Members are asked to declare any interest and the nature of that interest which they may have in any of the items under consideration at this meeting.
3.	<b>Minutes</b> (Pages 5 - 10) To confirm the Minutes of the meeting of the Committee held on 2 November 2023.
4.	<b>Action Log</b> (Pages 11 - 12)
5.	<b>Annual Report and Statement of Accounts</b> (Pages 13 - 154)
6.	<b>Administration Report</b> (Pages 155 - 172)
7.	<b>Business Plan Update</b> (Pages 173 - 194)
8.	<b>Governance and Compliance Report</b> (Pages 195 - 206)
9.	<b>Administration Strategy</b> (Pages 207 - 262)
10.	<b>Northamptonshire Pension Fund Forward Agenda Plan</b> (Pages 263 - 264)

11.	<p><b>Exclusion of Press and Public</b></p> <p>In respect of the following items the Chairman may move the resolution set out below, on the grounds that if the public were present it would be likely that exempt information (information regarded as private for the purposes of the Local Government Act 1972) would be disclosed to them: The Committee is requested to resolve: “That under Section 100A of the Local Government Act 1972, the public be excluded from the meeting for the following item(s) of business on the grounds that if the public were present it would be likely that exempt information under Part 1 of Schedule 12A to the Act of the descriptions against each item would be disclosed to them”</p>
12.	<p><b>Private minutes of the Local Pension Board 2 November 2023</b> (Pages 265 - 266)</p>
13.	<p><b>Cyber Resilience Update</b> (Pages 267 - 282)</p>
14.	<p><b>Risk Monitoring</b> (Pages 283 - 320)</p>
15.	<p><b>ACCESS Update</b> (Pages 321 - 326)</p>
16.	<p><b>Urgent Business</b></p> <p>The Chairman to advise whether they have agreed to any items of urgent business being admitted to the agenda.</p>

Catherine Whitehead  
Proper Officer  
17 January 2024

**Local Pension Board Members:**

Alicia Bruce (Chair)

Julie Petrie (Vice-Chair)

Councillor Andrew Weatherill

Councillor Greg Lunn

Katy Downes

Kevin Standishday

**Information about this Agenda**

Apologies for absence and the appointment of substitute Members should be notified to [democraticservices@westnorthants.gov.uk](mailto:democraticservices@westnorthants.gov.uk) prior to the start of the meeting.

### **Declarations of Interest**

Members are asked to declare interests at item 2 on the agenda or if arriving after the start of the meeting, at the start of the relevant agenda item

### **Local Government and Finance Act 1992 – Budget Setting, Contracts & Supplementary Estimates**

Members are reminded that any member who is two months in arrears with Council Tax must declare that fact and may speak but not vote on any decision which involves budget setting, extending or agreeing contracts or incurring expenditure not provided for in the agreed budget for a given year and could affect calculations on the level of Council Tax.

### **Evacuation Procedure**

If a continuous fire alarm sounds you must evacuate the building via the nearest available fire exit. Members and visitors should proceed to the assembly area as directed by Democratic Services staff and await further instructions.

### **Access to Meetings**

If you have any special requirements (such as a large print version of these papers or special access facilities) please contact the officer named below, giving as much notice as possible before the meeting.

### **Mobile Phones**

Please ensure that any device is switched to silent operation or switched off.

### **Queries Regarding this Agenda**

If you have any queries about this agenda please contact Jeverly Findlay, Democratic Services via the following:

Tel: 01327 302324

Email: [jeverly.findlay@westnorthants.gov.uk](mailto:jeverly.findlay@westnorthants.gov.uk)

Or by writing to:

West Northamptonshire Council  
One Angel Square  
Angel Street  
Northampton  
NN1 1ED

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### Local Pension Board

Minutes of a meeting of the Local Pension Board held at Jeffrey Room, The Guildhall, Northampton on Thursday 2 November 2023 at 2.00 pm.

**Present:**

Alicia Bruce (Chair)  
 Julie Petrie (Vice-Chair)  
 Councillor Andrew Weatherill  
 Councillor Greg Lunn  
 Katy Downes - remotely

**Apologies for Absence:**

Kevin Standishday  
 Scott Peasland – Audit Manager

**Officers:**

Paul Hanson, Head of Democratic & Elections  
 Mark Whitby, Head of Pensions  
 Michelle Oakensen, Governance and Regulations Manager  
 Jeverly Findlay, Committee Officer  
 Anand Persaud, Principal Auditor - remotely

104. **Declarations of Interest**

No interests were declared.

105. **Minutes**

**RESOLVED: The Local Pension Board approved the minutes of the meeting held on 29 June 2023.**

106. **Chair's Announcements**

The Chair extended a welcome to Councillor Greg Lunn who had joined the Board.

107. **Internal Audit Report**

The Principal Auditor presented the Annual Audit of the Northamptonshire Pension Fund for 2022/23. A substantial opinion assurance was given in respect of the control environment in place and a substantial assurance opinion for compliance; there were no recommendations as a result. Following the audit undertaken in the previous year, and comments received from the Pension Committee and Board, the scope remained very similar but a more deep-dive review into the control environment was undertaken.

In 2021/22 there had been 5 recommendations, 4 of which had been completed. The outstanding recommendation was with regard to annual reconciliation and was expected to be completed by the end of December. The Principal Auditor highlighted that the service had recently introduced improvements in the process and new workflows which was welcomed but it had resulted in the delay.

Councillor Weatherill queried how many auditor days had been undertaken this year and the previous year. The Principal Auditor undertook to circulate this information after the meeting.

Further to an enquiry, the Head of Pensions advised that the reconciliation with the scheme employers could not be undertaken until after the financial year end; it had been closed down but the re-sequenced work not yet undertaken. The target for this was December.

The Head of Pensions noted that the internal audit teams across the authorities would be on rotation and therefore next year the audit would be undertaken by Cambridgeshire County Council

Councillor Weatherill raised concerns that there had been a reduced level of auditing and that the assurance mapping was still outstanding. It was important to have an independent objective view. The Head of Pensions highlighted that the Potential Breaches of the Law report had been produced in response to audit work, the monitoring of performance indicators and the customer journey.

**RESOLVED:** The Pension Board noted the findings from Internal Audit work covering the period 2022-23.

#### 108. **Administration Report**

Consideration was given to a report which provided an overview of the administrative activities of the Northamptonshire Pensions Fund.

The Governance and Regulations Manager presented the report and drew the Committee's attention the red and amber Key Performance Indicators (kpis); related to the payment of benefits for active and deferred members. With regard to the payment of retirement benefits from active service, following a recent analysis of other pension fund schemes it had transpired that nationally the turnaround time to notify employees was 15 days and currently for the Northamptonshire Pensions Fund this was 5 days. The Administration Strategy would be submitted to the Committee in December for approval, and it would include a proposal to amend the turnaround time for the retirement kpi to change from the current 5 days to a more achievable target of 10 days.

Insight reporting was being developed with the intent to pick up on any systemic issues and see if there were any patterns with employers.

In reference to the Internal Dispute Resolution Procedure case, the dispute had been partially upheld at stage 1 because an Additional Voluntary Contribution transfer had not been permitted. It had been partially upheld as there had been an opportunity to

advise the member earlier. Cases are reviewed at quarterly quality assurance meetings with lessons learned shared within the Service.

An overpayment of a pension, related to a death, had been identified as part of the National Fraud Initiative and a death certificate could not be located, so it could be that it occurred overseas. Due to the time that had elapsed since the date of death the next step was to try to obtain a copy of the probate.

The Governance and Regulations Manager advised that some of the new kpis would be submitted to the committee in December. The Chair enquired what had driven the production of the new kpis. The Governance and Regulations Manager advised that they were linked to the audit that had been undertaken to identify of breaches of the law. The Governance Advisors had provided an overview of statutory KPI deadlines to enable the proposed supplementary KPIs.

**RESOLVED: The Local Pension Board noted the Northamptonshire Pensions Fund - Administration Performance Report.**

109. **Business Plan Update**

The Head of Pensions provided an update on the Business Plan and the RAG status of the targets. The software procurement had now been completed and the contract will commence on 24<sup>th</sup> October 2024.

The Guaranteed Minimum Pension Rectification was on track for year end unless a reschedule was necessary. The target for the McCloud age discrimination remedy had changed to amber as the guidance from the Government had been delayed. The service was live calculating benefit cases but retrospective remedies for those that had left were not yet being calculated. The guidance was expected in 2024 and it would include prioritisation advice. Processing of undecided leavers had changed to green from amber and 20% of the backlog had been processed. The development of the ACCESS pool was amber as Apex had been the non-listed Advisor for the pool. The Joint Committee had recently approved Apex and therefore this was likely to change to green. Two new activities had been included; one due to equality, diversity and inclusion (EDI) best practices and the other as the investment consultancy contract was due to be reviewed next year and would be decided by the Pensions Committee.

**RESOLVED:**

- (i) The Board noted the Business Plan Update.**
- (ii) The Board noted the new Business Plan activities at 6.18 and 6.19.**

110. **Governance and Compliance Report**

The Governance and Regulations Manager introduced the report and provided an update on the Pension Dashboard. The revised staging timetable would be set out in guidance and all schemes in scope would need to connect by 31 October 2026 as set in legislation. Consideration would need to be given for GDPR compliance for

any non-members; contact would need to be made within 30 days for any partial matches and non any non matches data would need to be deleted immediately.

A quick succession of updates to the McCloud remedy had been provided in the last 3 weeks and the regulations published; national working groups had been established. It was estimated that 15.2% of members were in the scope of the remedy, but further guidance was awaited, and the numbers could increase.

Communications would be reviewed and the landing page for the website would be updated. Emails would be sent to those members that the service had an email address for and letters sent out for members who had opted out of electronic communications. Employers would also be utilised to advise active members and via newsletters. An EDI action plan would be produced next year taking into consideration any outcomes of the Gender Pay Gap Review

The Board were asked if they had any training requirements and if they wanted to go the governance training that had been arranged.

**RESOLVED: The Local Pension Board noted the contents of the report.**

111. **Potential Breaches of the Law Report**

The Governance and Regulations Manager advised that this report linked to the assurance mapping control objective within the audit to ensure that appropriate procedures were in place to identify and report breaches of the law. The requirements and controls that were in place had been reviewed and the LGPS regulations and the Pensions Act 2004 had been considered to ensure compliance. The Reporting Breaches of the Law to Pensions Regulator Policy was in place. Section 6.9 of the report identified the consequences of breaching the law. It was noted that professional advice had been sought regarding the areas that should be reviewed.

The Governance and Regulations Manager highlighted that the review had been positive as it had confirmed that adequate controls were in place with the report documenting this to be the case. The next step was to cross reference to the risk register, but it was noted that the risk register was already a large documents due to evolving mitigations and the format would be reviewed; the assurance mapping would identify any gaps to be addressed.

**RESOLVED: The Pension Fund Board noted the potential breaches of the Northamptonshire Pension Fund and associated control measures.**

112. **Cash Management Strategy**

The Head of Pensions advised that a full review of the Cash Management Strategy had been undertaken and section 5 identified the main changes; for example reference to the LGSS had been removed. With regard to cash flow at a high level contributions were usually received by 19<sup>th</sup> and outgoings were pensions and payroll. The custodian dealt with investments approved by the Committee.

**RESOLVED: The Pension Fund Board noted the updates to the Northamptonshire Pension Fund Cash Management Strategy.**

113. **Northamptonshire Pension Fund Board Agenda Plan**

The Governance and Regulations Manager drew Members' attention to the Pension Fund Forward Agenda Plan.

**RESOLVED: The Local Pension Board noted the forward agenda plan.**

114. **Annual Report of the Local Pension Board**

The Head of Democratic and Elections presented the report which provided a summary of the Local Pension Board's deliberations and activities for the year. It was

**RESOLVED: That the Local Pension Board recommends the annual report to Council, set out at Section 6 of the report.**

115. **Exclusion of Press and Public**

**RESOLVED: That Under Section 100A of the Local Government Act 1972, the Local Pension Board agreed that the public be excluded from the meeting for the following items of business on the grounds that if the public were present it would be likely that exempt information under Part 3 of Schedule 12A to the Act would be disclosed to them.**

The meeting closed at 3.25 pm

Chair: \_\_\_\_\_

Date: \_\_\_\_\_

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**NORTHAMPTONSHIRE  
PENSION FUND**

**Local Pension Board  
Action log from Local Pension Board meeting held on 2 November 2023**

**Agenda Item:**

This log captures the actions from the Northamptonshire Local Pension Board of the 2 November 2023 together with any carried forward items from previous meetings and updates members on the progress on compliance in delivering the necessary actions.

This is the updated action log as at 16 January 2023

Actions from LPB Public Minutes 2 November 2023:

<b>Item No.</b>	<b>Item</b>	<b>Action to be taken by</b>	<b>Issue/Action</b>	<b>Action/Status</b>
5.	Internal Audit Report	Anand Persaud	Councillor Weatherill queried how many auditor days had been undertaken this year and the previous year. The Principal Auditor undertook to circulate this information after the meeting.	Email sent 8/12/2023.

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**West Northamptonshire Council**

**Local Pension Board**

**25/1/2024**

**Mark Whitby – Head of Pensions**

<b>Report Title</b>	<b>Pension Fund Annual Report and Statement of Accounts 2022-23</b>
<b>Report Author</b>	<b>Ben Barlow</b> <b>Investments and Fund Accounting Manager</b> <a href="mailto:Ben.Barlow@westnorthants.gov.uk">Ben.Barlow@westnorthants.gov.uk</a>

**Contributors/Checkers/Approvers**

<b>Head of Pensions</b>	Mark Whitby	4/1/2024
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**List of Appendices**

**Appendix A – Grant Thornton Audit Plan 2022-23**

**Appendix B – Final Annual Report and Statement of Accounts 2022-23**

**Appendix C – Grant Thornton Audit Results Report 2022-23**

**1. Purpose of Report**

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1.1. To present to the Pension Board the Pension Fund’s audit plan, final Annual Report and Statement of Accounts and Results Report for the 2022-23 financial year.

**2. Executive Summary**

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2.1 Grant Thornton act as the Northamptonshire Pension Fund’s external auditors. As the external auditors they have produced a plan of the 2022-23 audit of the Northamptonshire Pension Fund.

2.2 The report covers the key highlights from the Statement of Accounts. The Fund’s assets have fallen to £3,250m, following negative investment performance during the year with a net decrease of £117.7m. Contributions, Benefits, Management Expenses and Investment income have increased since last year.

2.3 The report covers the findings of the external audit for the Northamptonshire Pension Fund 2022-23. In Grant Thorntons opinion, the financial statements give a true and fair view of the financial position of the Fund. The statements have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

2.4 There are two recommendations for management which have been actioned.

### 3. Recommendations

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3.1 The Pension Board is asked to note the contents of the report.

### 4. Report Background

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- 4.1 The Pension Fund's Statement of Accounts (SOA) form part of the Council's Statement of Accounts. These are audited by the Council's external auditor Grant Thornton (GT). The auditor confirms whether, in their opinion, the SOA reflect a true and fair view of the financial position of the authority (and the Fund within it) for the financial year 1<sup>st</sup> April to 31<sup>st</sup> March and that the SOA is free from material mis-statement.
- 4.2 The accounts are based on transactions accounted for within the Fund's financial ledger, information received from Investment Managers and the Fund's Custodian Northern Trust, and assumptions and estimations utilising the professional judgement of officers and Fund professional advisers in order to give a true and fair statement of the Fund's financial position.
- 4.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23 (the Code), which governs the preparation of the financial statements for Local Government Pension Scheme funds. A CIPFA template is used each year to ensure that the reporting meets the requirements of the Code and is compliant with International Financial Reporting Standards (IFRS).
- 4.4 The publication of the Accounts is an essential feature of public accountability and stewardship as it provides information on how the Fund has used the members' funds for which it is responsible.
- 4.5 The structure and content of the Annual Report is governed by guidance issued by CIPFA in compliance with Regulation 57 of The Local Government Pension Scheme Regulations 2013 (as amended).

### 5. Audit Plan

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- 5.1 GT have produced an audit plan, setting out identified audit risks, expected materiality levels, the audit logistics and the planned delivery of the audit process.
- 5.2 Page 7 of the accompanying report identifies the key risks and areas of auditor focus, details the Auditor's planned approach to these risk areas.
- 5.2.1 Valuation of Level 3 investments
- 5.2.2 Management override of controls
- 5.2.3 Triennial valuation
- 5.3 Page 11 of the accompanying report sets out the planned materiality levels for the audit. GT has adjusted its approach to materiality on Pension Fund audits since last year to be more risk focused. As such, Investment related materiality is set at 1.5% of the estimated Gross Assets, as opposed to net, to be more reflective of the risks associated with asset valuations. A lower materiality is set in respect of non-investment related transactions, at 10% of prior year gross expenditure, for a more focused approach.

<b>Audit Area</b>	<b>Materiality</b>
Planning Materiality – investment related	£48.1m
Planning Materiality – non-investment related	£12.9m
Audit Differences – Net Assets Statement	£2.4m

<b>Audit Area</b>	<b>Materiality</b>
Audit Differences – Fund Account	£645k

5.4 Page 15 of the accompanying report sets out the timeline for delivery of the audit. The key planned milestones are:

<b>Milestone</b>	<b>Planned dates</b>	<b>Status</b>
Interim Audit	February - March 2023	Completed
Report audit plan	July 2023	Completed
Year end Audit	June -September 2023	Completed
Audit Findings Report	September 2023	Completed

## **6. Annual Report and Statement of Accounts**

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- 6.1 The Fund Account and the Net Asset Statement provide a summary of the financial activity with the notes to the accounts providing further information.
- 6.2 The net decrease for the year was £117.7m, with the Fund’s net assets falling to £3,250m reflecting negative performance in the first two quarters of the year.
- 6.3 Contribution receipts increased from £122.8m to £130.1m. The increase in contributions payments reflects the increase in the average contribution rate for 2022-23.
- 6.4 Benefit payments have increased from £103.4m to £105.5m. The increase in benefit payments reflects the growth in the number of pensioners during the year and CPI uplifts to benefits in payment.
- 6.5 Management expenses are broken down in Note 11. Administration expenses have increased from £2.3m to £2.5m due to increases in staff salaries and inflationary increases. Oversight and Governance costs have increased from £812k to £911k mainly due to actuarial valuation costs. Investment Management fees have increased from £12.9m to £13.2m due to increased commitments to alternative assets.
- 6.6 The one-year investment return as at 31<sup>st</sup> March 2023 was a net market loss of £166m.
- 6.7 Investment income increased from £28.9m to £34.0m mainly due to large income distributions from LionTrust UK Equities, Baillie Gifford Diversified Growth Fund and M&G Alpha Opportunities Fund. Investment income is impacted by market performance however the Fund’s main investment returns are reflected in market value increases.
- 6.8 The Annual report and Statement of Accounts have been approved by Pension Committee and Audit and Governance Committee.

## **7. Audit Results Report**

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7.1 The Pension Fund Statement of Accounts has been subject to external audit fieldwork and GT have offered a separate audit opinion on the Pension Fund’s Annual Report and Statement of Accounts within the ISA260 document, this is set out on page 3 of the Audit report.

*“Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:*

- *the Pension Fund’s financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year; and*

- *have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.”*

- 7.2 The Pension Fund’s opinion cannot be finalised until the Council’s audit has concluded.
- 7.3 There is one corrected misstatement identified during the audit. The investment asset balances included a number of estimated asset valuations for Level 3 assets, these are based on December 2022 actual valuations adjusted for cash flows to the 31 March 2023. The actual valuations received for these assets showed the investment asset balance was understated by £7.6m. This value is below materiality thresholds.
- 7.4 There have been a small number of disclosure amendments shown in Appendix D of the results report.
- 7.5 There are two recommendations for management listed below (please also see page 22 of Appendix C), both recommendations have been actioned and communicated to the relevant teams:
- 7.5.1 Management should ensure that procedures are followed and that journals are authorised before posting to avoid segregation of duties risks.
- 7.5.2 Management should ensure that IT user responsibilities are monitored and reviewed to avoid segregation of duties.

## **8. Implications (including financial implications)**

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### **8.1 Resources and Financial**

- 8.1.1 There are no resource or financial implications arising from the proposals in this paper. This paper is for information only.

### **8.2 Legal**

- 8.2.1 There are no legal implications arising from the proposals.

### **8.3 Risk**

- 8.3.1 The mitigated risks associated with this report has been captured in the Fund’s risk register as detailed below -

Risk	Residual risk rating
Contributions to the Fund are not received on the correct date and/or for the correct amount	Amber
Fund assets are not sufficient to meet obligations and liabilities.	Amber
Information may not be provided to stakeholders as required	Green
Those charged with governance are unable to fulfil their responsibilities effectively	Green
Risk of fraud and error	Green
Custody arrangements may not be sufficient to safeguard Pension Fund assets.	Green
Failure to administer the scheme in line with regulations and guidance.	Green

Risk	Residual risk rating
Pension Fund investments may not be accurately valued.	Green
Investment decisions and portfolio management may not achieve the return required or be performed in accordance with instructions provided.	Green

8.3.2 The executive summary can be found on the Fund’s website at the following link:

[Northamptonshire Risk Register](#)

#### 8.4 Relevant Pension Fund Objectives

8.4.1 The following objectives as per the Business Plan have been considered in this report -

- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund’s stakeholders, particularly the scheme members and employers.
- To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
- To continually monitor and measure clearly articulated objectives through business planning.
- To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
- To provide scheme members with up-to-date information about the scheme in order that they can make informed decisions about their benefits.
- To seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.

#### 8.5 Consultation

8.5.1 The Pension Fund Accounts are produced utilising information and advice provided by Investment Managers, the Fund’s Custodian Northern Trust and the Fund’s Actuary, Hymans Robertson.

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# External audit plan

Year ending 31 March 2023

Northamptonshire Pension Fund

28/02/2023



# Contents



## Your key Grant Thornton team members are:

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.



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# Key matters

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## National context

For the general population, rising inflation, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment.

The pressures on household income have raised concerns that members will look at their pension contributions as a way of cutting back on their monthly costs. The cost-of-living crisis is having a detrimental impact on pension savings, with some even dipping in to their savings to supplement short-term needs and several members are also requesting early access to their pension after age 55 as a means to financially manage their commitments. The cost of living crisis makes it even more important that lowly paid workers have access to a good quality pension.

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

## Other Local issues

There are no local issues report.

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# Key matters

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## Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, has been agreed with the Executive Director of Finance (Chief Finance Officer).
- We will continue to provide you and your Audit and Governance Committee with sector updates providing our insight on issues from a range of sources and other sector commentators.
- We hold annual financial reporting workshops for our clients to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.

# Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Northamptonshire Pension Fund ('the Pension Fund') for those charged with governance.

## Respective responsibilities

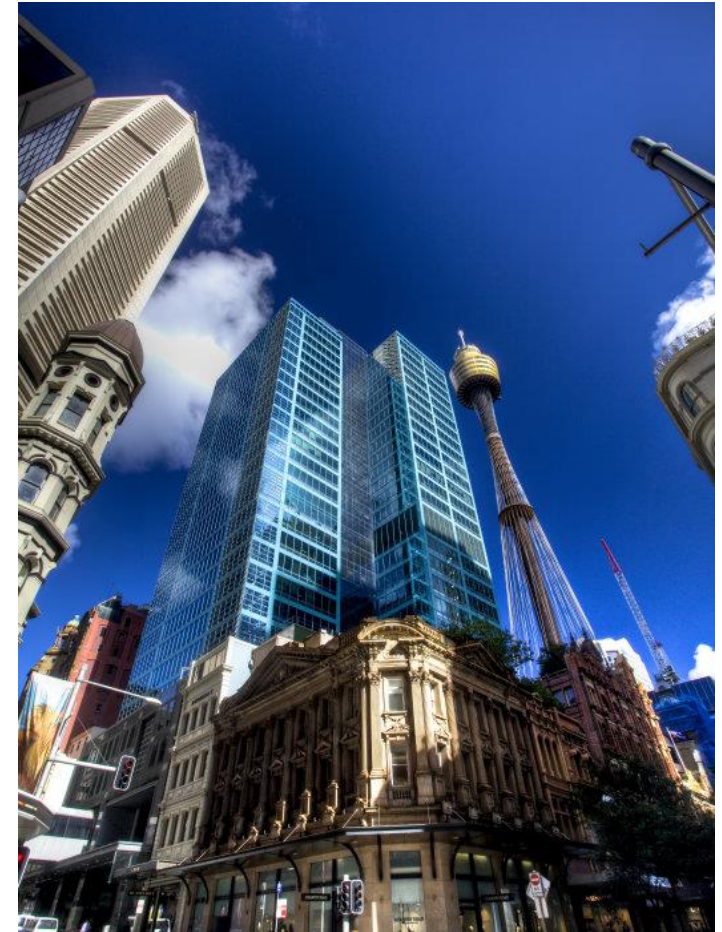
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Northamptonshire Pension Fund]. We draw your attention to both of these documents.

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Governance committee).

The audit of the financial statements does not relieve management or the Audit and Governance Committee of your responsibilities. It is the responsibility of the Pension Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Pension Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Pension Fund's business and is risk based.



# Introduction and headlines

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- The valuation of level 3 investments.
- Management override of controls
- The revenue recognition cycle (including those related to expenditure) contain fraudulent transactions (this risk is rebutted in this instance due to controls in place at the Fund).

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have changed our approach to materiality this year as a Firm. We have amended the basis of setting headline materiality from net to gross assets, which allows us to better reflect the risks and focus of the audit.

We have determined planning materiality to be £48.1m (PY £33.6m) for the Pension Fund, which equates to 1.5% of your estimated gross assets at 31<sup>st</sup> of March 2023. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £2.4m (PY £1.6m).

We have set a separate specific materiality for non investment related transactions. We have determined planning Fund Account materiality to be £12.9m for the Pension Fund, which equates to 10% of your prior year gross expenditure. Clearly trivial has been set at £645k.

## Audit logistics

Our interim visit took place in February and March and our final visit will take place in July, August and September. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit will be £55,250 (PY: £51,000k) for the Pension Fund, subject to the Pension Fund delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

## New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Level 3 investments (annual valuation)	Pension Fund	<p>The Fund revalue its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statement date..</p> <p>By their nature, Level 3 investments valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgements to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers as valuation experts to estimate the fair value of these assets.</p> <p>We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement</p>	<p>We will :</p> <p>Evaluate management's processes for valuing Level 3 investments. -Review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investment to ensure the requirements of the code are met. -Independently request year end confirmations from investment managers, with an additional focus on ensuring use of appropriate IPEV [or equivalent] methodology in their valuation books, updated for most recent available guidance. -For a sample of investments, test the valuation by comparing the valuation per the General Ledger (typically based on investor statement as at the reporting date, or in the case of harder to value assets, the latest capital statement available adjusted for known cash movements in the final quarter of the year) to direct confirmation of capital balances from investment managers and, where available, latest audited financial statements. - Complete sample testing of purchases and sales to prime documentation across the period to support our reconciliation of the opening and closing balances..</p>
Management over-ride of controls	Pension Fund	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p>	<p>We will:</p> <p>Evaluate the design effectiveness of management controls over journals;, analyse the journals listing and determine the criteria for selecting high risk unusual journals, test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration, gain an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence, and evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</p>

# Other risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Local Government Pension Scheme triennial valuation	-Pension Fund	<p>Regulation 62 of the Local Government Pension Scheme (LGPS) requires pension fund administering authorities to obtain an actuarial valuation of the fund's assets and liabilities every three years. Triennial funding valuation reports as at 31 March 2022 were required to be obtained by 31 March 2023.</p> <p>The LGPS is a complex pension scheme with numerous participants, investment portfolios, and various financial and actuarial assumptions. The valuation process involves assessing the fund's assets and liabilities, projecting future cash flows, and making assumptions about investment returns, inflation rates, life expectancies, and other variables.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>review the methods used to calculate the estimate, including the models used</li> <li>review the actuarial reports and assess the reasonableness of the assumptions made in the reports.</li> <li>perform tests on the accuracy and completeness of the data used in the valuation process, including member data. This includes examining source documents and reconciling data to supporting records.</li> <li>evaluate the adequacy and accuracy of the disclosures related to the LGPS triennial valuation within the financial statements.</li> </ul>

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report.

'In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them.' [ISA (UK) 315]

# Other matters

## Other work

The Pension Fund is administered by West Northamptonshire Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority..
- We consider our other duties under legislation and the Code, as and when required, including:
  - Giving electors the opportunity to raise questions about your 2022/23 financial statements, consider and decide upon any objections received in relation to the 2022/23 financial statements;
  - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
  - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
  - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

## Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.



# Progress against prior year audit recommendations

We identified the following issues in our 2021/22 audit of the Pension Fund's financial statements, which resulted in one recommendations being reported in our 2021/22 Audit Findings Report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>During the course of the audit, we noted some delays in receipt of declarations of interest from members of the Pensions Committee and others with a governance link to the Fund. It is important to ensure that these returns are received and reviewed promptly to prevent the possible omission of disclosure of a previously unidentified related party which may alter the understanding of readers of the accounts.</p> <p>The Fund should work proactively with partners within the administering authority and other stakeholders to ensure that all returns are received and reviewed promptly.</p>	<p>Management sent request out earlier this year (12th December) to allow plenty of time to keep on top of following up. Looking at the log they are only waiting for one outstanding form from a Cllr.</p>



# Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1	<p><b>Determination</b></p> <p>We have determined materiality based on a proportion of the estimated gross assets as at 31/03/2023 for the Pension Fund. Materiality at the planning stage of our audit is £48.1m which equates to 1.5% of your estimated gross assets as at 31/03/2023.</p> <p>We have also set a separate level of materiality for non-investment related transactions at £12.9m which is 10% of prior year gross expenditure.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> <li>– establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements</li> <li>– assist in establishing the scope of our audit engagement and audit tests</li> <li>– determine sample sizes and</li> <li>– assist in evaluating the effect of known and likely misstatements in the financial statements</li> </ul> <p>The Firm has adjusted its approach to materiality on Pension Fund audits to be more risk focused. As such, Investment related materiality will be set based on Gross Asset values as opposed to net, with the headline materiality being set at 1.5%. This will enable us to set a materiality which is more reflective of the risks associated with asset valuations. However, in conjunction with this we will also set a lower materiality in respect of non-investment related transactions which again will allow us to adopt a more focused approach, principally on the Fund Account. This may bring more transactions into scope, introduce an element of unpredictability to the audit and add more value for stakeholders.</p>
2	<p><b>Other factors</b></p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p>	<p>An item may be considered to be material by nature where it may affect instances when greater precision is required.</p> <ul style="list-style-type: none"> <li>– None identified.</li> </ul>

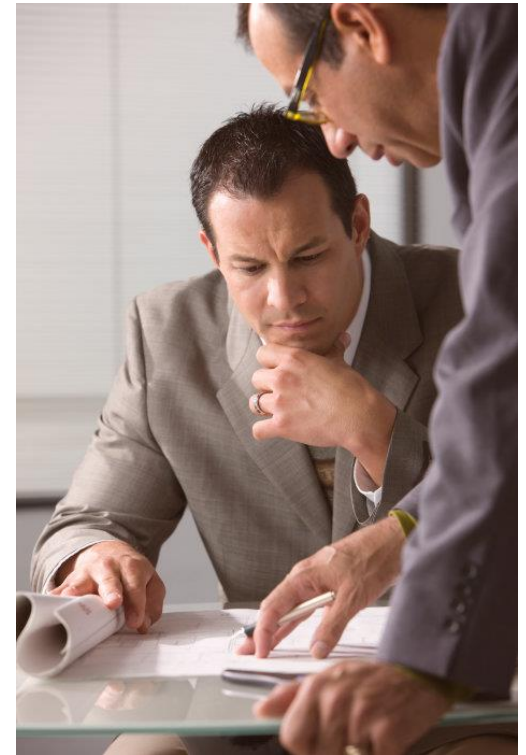
# Our approach to materiality

Matter	Description	Planned audit procedures
3	<p data-bbox="224 494 1030 534"><b>Reassessment of materiality</b></p> <p data-bbox="224 534 1030 622">Our assessment of materiality is kept under review throughout the audit process.</p>	<p data-bbox="1030 494 2121 622">We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>
4	<p data-bbox="224 829 1030 909"><b>Other communications relating to materiality we will report to the Audit Committee</b></p> <p data-bbox="224 909 1030 1460">Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p data-bbox="1030 829 2121 909">We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p data-bbox="1030 909 2121 1189">In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £2.4m for the Net Asset Statement or 645k for the Fund Account. (PY £1.6m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Governance Committee to assist it in fulfilling its governance responsibilities.</p>

# Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

	Amount (£)	Qualitative factors considered
<b>Materiality:</b>		
	Investments – 48.1m.	<ul style="list-style-type: none"> <li>• Concentration of ownership: the entity is not owned by shareholders, there is no group structure in place (group structures, ownership by shareholders could affect materiality by making it lower)</li> </ul>
	Areas other than investments – 12.9m.	<ul style="list-style-type: none"> <li>• Debt arrangements: the pension fund does not have any debt financing.</li> <li>• Business environment: the operations of the entity are less complex and few core business processes in which the entity is involved. Due to its nature as a public body administering the pensions of public sector workers, the pension fund operates within a stable environment and there has not been significant changes in the nature of its business activities over recent years.</li> <li>• Control environment: no issues have been identified in relation to the control environment.</li> <li>• Other sensitivities: no other sensitivities have been identified that would require materiality to be reduced. There are few users of the financial statements, therefore a higher materiality is deemed appropriate.</li> <li>• We considered the value of balances on the Fund Account and whether the chosen materiality provides sufficient coverage of these balances. Based on review of the prior year accounts the materiality level chosen was deemed sufficient to provide coverage.</li> </ul>



# IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on slide 17.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Spend/Income	Planned level IT audit assessment
Altair	Benefits	£103,413,000	<ul style="list-style-type: none"> <li>Assurance report obtained from IT expert.</li> </ul>
Agresso ERP	Financial reporting	N/A	<ul style="list-style-type: none"> <li>Detailed ITGC assessment completed by internal expert.</li> </ul>

# Audit logistics and team



## Ben Stevenson, Audit Incharge

Key audit contact responsible for the day to day management and delivery of the audit work.



## Ciaran McLaughlin Key Audit Partner

Provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers



## William Howard, Audit Manager

Plans and manages the delivery of the audit including regular contact with senior officers.

## Audited Entity responsibilities

Where audited entities do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

# Audit fees and updated Auditing Standards including ISA 315 Revised

In 2021 PSAA awarded a contract of audit for Northamptonshire Pension Fund to begin with effect from 2021/22. The fee agreed in the contract was £51k. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2021/22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Fund's Infrastructure, IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £4k. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf [and has been agreed with the Director of Finance].

# Audit fees

	Actual Fee 2020/21	Actual Fee 2021/22	Proposed fee 2022/23
Northamptonshire Pension Fund Audit	N/A	£51,000	£55,250
Total audit fees (excluding VAT)	N/A	£51,000	£55,250

## Assumptions

In setting the above fees, we have assumed that the Pension Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

## Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

# Independence and non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund.



# Independence and non-audit services

## Other services

The following other services provided by Grant Thornton were identified. The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
IAS19 Assurance letters for Admitted Bodies	£6,000 and £1,100 per audit letter.	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £6,000 (and £1,100 per audit letter) in comparison to the total fee for the audit of £55,250 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Total	£14,000		

# Communication of audit matters with those charged with governance

## Our communication plan

	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud ( deliberate manipulation) involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

### Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.



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

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Appendix A – ACCESS Annual Report

# Chairperson's Foreword

I am pleased to present the Annual Report and Statement of Accounts for the Northamptonshire Pension Fund's financial year 2022-23. Our devoted team has worked tirelessly to manage and maintain the highest standards for our scheme members, employers, and other stakeholders.

Our scheme membership has grown substantially, now including over 80,000 active, pensioner, and deferred members. This expansion shows the importance of the benefits provided by the Fund to scheme members.

This year, we conducted a comprehensive valuation of the Fund, a triennial task aimed at ensuring financial sufficiency to meet pension commitments. This project involves several activities, such as data collection, employer engagement, risk management, and policy assessments. Notably, we introduced a "funding corridor" within our cessation policy, which effectively reduces sensitivity to market fluctuations upon employer exit, thus enhancing stability. We have also taken measures to reduce the impact of Government bonds on valuation calculations.

At the 2022 valuation, the Fund's funding level was 113%. To reduce the risks faced by the Fund, we have made the following changes to the funds' strategic asset allocation:

- Reduced equity allocations by 12.5%
- Increased fixed income by 10% and alternatives by 2.5% to provide greater exposure to inflation linked, cashflow generative assets while protecting the strong funding position.
- Expanded private markets portfolio to consider sustainable and impact opportunities

We have made significant progress in reinforcing our responsible investment (RI) policy, part of our overarching investment strategy. Our RI policy outlines our approach to sustainable responsible investment, with a dedicated commitment to prudently manage carbon and climate risks

influencing our investment decisions.

As part of our commitment to sustainability, we have embraced an ambitious decarbonisation pathway for our investment portfolio. Our goal is to achieve net zero carbon emissions by 2050 while ensuring the Fund's capacity to honour its benefit obligations remains resolute.

The year began with market volatility due to the Russian invasion of Ukraine, which led to raised inflation and uncertainties. Despite these challenges, the fund's investment return for the year was -4.8%, leading to a decrease in net assets from £3,368 billion in the prior year to £3,250 billion.

Our active participation in the ACCESS pool is a reflection of our commitment, with a significant 74% of our assets pooled as of 31 March 2023, and additional assets scheduled for future transition.

I extend my sincere appreciation to the Pension Committee, the Investment Sub-Committee, the members of the Local Pension Board, the Chief Finance Officer, the Head of Pensions, and the entire dedicated workforce for administering and managing the Northamptonshire Pension Fund.

In conclusion, we remain committed to excellence, transparency, and responsible stewardship. We will continue to provide exceptional service and secure the financial future of our esteemed scheme members.

Yours faithfully,

Councillor Malcolm Longley

Chair of the Northamptonshire Pension Fund Committee



# Statement of Responsibilities

## Introduction

This Annual Report and Statement of Accounts sets out the arrangements by which the Local Government Pension Scheme operates, reports changes which have taken place and reviews the investment activity and performance of the Northamptonshire 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 2022-23.

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, [2022 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 2023 and of its income and expenditure for the year 2022-23, and authorise the accounts for issue.

XXXXX




























Chief Finance Officer

(Section 151 Officer)

Dated: xxxxxxx



# Scheme Management, Advisors and Partners

Partners		Asset Managers (Continued)	
ACCESS (Pension Pool)		Catapult	
AON (Consultants)		CBRE Global	
Barclays (Bank)		Harbour Vest Partners (UK)	
David Crum (Independent Advisor)		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*		<i>*Sub-funds managed by Link Fund Solutions in the ACCESS pool (page 28)</i>	
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

Joanne Kent – Systems and Projects Manager

Akhtar Pepper – Operations Manager

Cory Blose – Employer Services and Communications Manager

Michelle Oakensen – Governance and Regulations 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).

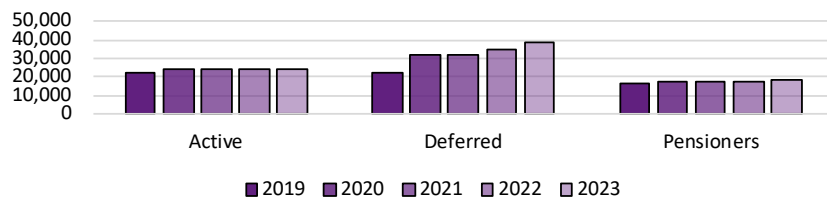
The Fund is a qualifying scheme under the automatic enrolment regulations and can be used by employers to automatically enroll eligible employees, and every three years re-enrol anyone who opts out of the scheme.

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 5.5% from the previous year.

On 31 March 2023 there were 23,949 active, 38,361 deferred and 18,414 pensioner members in the Fund. The deferred figure is inclusive of 10,509 open cases that may change status (undecided leavers).



## Pension Fund Administration

There are 83 staff members (79.05 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 1:2,250 (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.

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.

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

# Scheme Administration (continued)

## Scheme Framework

The Local Government Pension Scheme is a statutory funded pension scheme. The operation of the Northamptonshire 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 2022. The results of the valuation were a funding level of 113% (31 March 2019: 93%) and an average primary employer contribution rate of 20.5% (31 March 2019: 19%). The primary rate includes an allowance of 0.8% (31 March 2019: 0.8%) of the pensionable pay for the Fund's expenses. The average employee contribution rate is 6.3% (31 March 2019: 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 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 consultation took place in Summer 2022 on the proposals to extend the current underpin to younger members and remove the requirement to have an immediate entitlement to benefits on leaving to qualify for underpin protection

# 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 Tier 1 – Immediate payment with service enhanced to Normal Pension Age (65)	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
<b>Ill Health Provision</b>	Tier 2 – Immediate payment with 25% service enhancement to Normal Pension Age (65) Tier 3 – Temporary payment of pension for up to 3 years	Tier 2 – Immediate payment with 25% service enhancement to Normal Pension Age 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 2022-23, training undertaken in year, including; Training days, Conferences and Strategic Workshops.

Councillor/Member Name	Committee/Board	Meetings Attended	Training Undertaken (In person and virtual)
Cllr Longley	Pension Committee	5 meetings out of 5	6 sessions attended
	Investment Sub Committee	4 meetings out of 4	
Cllr Morton	Pension Committee	5 meetings out of 5	7 sessions attended
	Investment Sub Committee	3 meetings out of 4	
Cllr Bignell	Pension Committee	3 meetings out of 5	5 sessions attended
	Investment Sub Committee	3 meetings out of 4	
Cllr Russell	Pension Committee	1 meeting out of 5	1 session attended
	Investment Sub Committee	2 meetings out of 4	
Cllr Lawman	Pension Committee	5 meetings out of 5	7 sessions attended
	Investment Sub Committee	4 meetings out of 4	
Robert Austin	Pension Committee	4 meetings out of 5	6 sessions attended
	Investment Sub Committee	2 meetings out of 4	
Peter Borley-Cox	Pension Committee	3 meetings out of 5	4 sessions attended
	Investment Sub Committee	3 meetings out of 4	
Cllr Joyce	Pension Committee	3 meetings out of 5	3 sessions attended
Cllr Matten	Pension Committee	4 meetings out of 5	4 sessions attended
Cllr Lane	Pension Committee	3 meetings out of 5	3 sessions attended
Cllr Bunday	Pension Committee	2 meetings out of 5	1 session attended
Paul Wheeler	Pension Committee	2 meetings out of 2 (appointed Nov22)	4 sessions attended
John Wignall	Pension Committee	1 meeting out of 4 (resigned Mar23)	3 sessions attended
Cllr Pritchard	Local Pension Board	2 meetings out of 4	2 sessions attended
Cllr Weatherill	Local Pension Board	4 meetings out of 4	2 sessions attended
Julie Petrie	Local Pension Board	4 meetings out of 4	3 sessions attended
Kev Standishday	Local Pension Board	4 meetings out of 4	1 session attended
Alicia Bruce	Local Pension Board	4 meetings out of 4	3 sessions attended
Katy Downes	Local Pension Board	3 meetings out of 4	1 session attended
Andy Langford (substitute)	Pension Committee	2 meetings out of 5	

# 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
- Anti-Fraud and Corruption Policy
- Northamptonshire Pension Fund Training Strategy
- Cash Management Strategy
- Cessations Policy
- Climate Action Plan
- Communications Plan
- Communications Strategy
- Data Improvement Policy and Plan
- Employer Data Retention Policy
- Funding Strategy Statement
- Governance Policy and Compliance Statement
- Investment Strategy Statement
- Overpayment of Pension Policy
- Payment of Pension Contributions Policy
- Reporting Breaches of the Law to the Pensions Regulator Policy
- Risk Register
- Risk Strategy
- The Fund also has a Cyber Strategy, however this is not published due to its sensitive nature

### Statement/Policy Changes in 2022-23

The following strategies and policies have been reviewed and updated accordingly in 2022-23:

- Administering Authority Discretions
- Annual Business Plan and Medium-Term Strategy
- Anti-Fraud and Corruption Policy
- Cessations Policy
- Climate Action Plan
- Communications Plan
- Communications Strategy
- Conflicts of Interest Policy
- Data Improvement Policy
- Data Improvement Plan
- Funding Strategy Statement
- Investment Strategy Statement
- Overpayment of Pension Policy
- Reporting Breaches of the Law to the Pensions Regulator
- Risk Register
- Risk Strategy

# Management and Financial Performance

## The Team

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

- **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)
- **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 to participate efficiently in the Fund.  
Email: [PenEmployers@westnorthants.gov.uk](mailto:PenEmployers@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)
- **Investments** – oversee the governance of Fund assets and support the Investment Sub-Committee.  
Email: [PenInvestments@westnorthants.gov.uk](mailto:PenInvestments@westnorthants.gov.uk)
- **Operations** – maintain member records, calculate benefits and pensions payable.  
Email: [Pensions@westnorthants.gov.uk](mailto:Pensions@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)
- **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)

## 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, West Northamptonshire Council, The Guildhall, St Giles Square, Northampton, NN1 1DE

## 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
Pension Credit member quoted max conversion options on Member Self-Service when option not available.	Partially Upheld	Not Upheld
Refusal to pay survivor’s pension to co-habiting partner.	Not Upheld	N/A
Challenging payments of death grant.	Not Upheld	In Progress
Delays in paying pension and AVCs causing anguish and inconvenience.	Upheld	Not Upheld
Challenging refusal to pay NCC Deferred Benefit early on ill health grounds.	Not Upheld	In Progress
Refusal to allow transfer of AVCs to an alternative arrangement	In Progress	



# 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 28), are required to provide ISAE 3402 (Service Organization Control Reports) which are made available to external audit.

## Risk Assurance

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

# Management and Financial Performance (continued)

## Financial Performance

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

Performance Indicators	2022-23	2022-23
	Budget	Actual
	£000	£000
Contributions	-120,000	-130,100
Transfers in from other funds	-8,500	-16,937
<b>Total Income</b>	<b>-128,500</b>	<b>-147,037</b>
Benefits payable	108,000	105,500
Payments to and for leavers	8,500	10,648
<b>Total Benefits</b>	<b>116,500</b>	<b>116,148</b>
<b>Surplus of contributions over benefits</b>	<b>-12,000</b>	<b>-30,889</b>
Management Expenses		
Administrative Costs	2,331	2,483
Investment Management Expenses (Invoiced)	480	276
Investment Management Expenses (Non-Invoiced)	0	12,945
Oversight and Governance Costs	834	911
<b>Total Management Expenses</b>	<b>3,645</b>	<b>16,615</b>
<b>Total Income less Expenses</b>	<b>-8,355</b>	<b>-14,274</b>
Investment Income	-26,000	-34,027
Taxes on Income	0	0
(Profit)/loss on disposal and changes in market value of investments	-127,000	166,048
<b>Net return on investments</b>	<b>-153,000</b>	<b>132,021</b>
<b>Net (increase)/decrease in assets during the year</b>	<b>-161,355</b>	<b>117,747</b>

Management expenses per active member are shown below:

Cost Per Active Member	2021-22	2022-23
Active Members	23,868	23,949
	£	£
Administrative Cost	99.38	103.68
Investment Management Expenses	457.85	552.05
Oversight and Governance Costs	29.66	38.04

## Variance Analysis

- Contributions and benefits are in line with current membership numbers.
- Transfers in and payments out are demand led.
- Investment Management expenses budget is understated as this does not include a forecast for non-invoiced expenses which are pooled fees deducted from market value. This will be included in the 2023-24 budget.
- The 2022-23 budget 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 39).

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>	536	536	100
<b>Deaths</b> – letter notifying amount of dependant’s pension <i>KPI: 5 working days, Legal requirement: 2 months</i>	330	329	99
<b>Estimates</b> – letter notifying estimate of retirement benefits to employee <i>KPI: 15 working days, Legal requirement: 2 months</i>	469	433	92
<b>Retirements</b> – process and pay pension benefits on time <i>KPI: 5 working days, Legal requirement: 2 months</i>	370	343	93
<b>Deferment</b> – calculate and notify deferred benefits <i>KPI: 15 working days, Legal requirement: N/A</i>	2,197	2,103	96
<b>Transfers in</b> – Letter detailing transfer in (actual) <i>KPI: 10 working days, Legal requirement: 2 months</i>	258	253	98
<b>Transfers out</b> – letter detailing transfer out (quote) <i>KPI: 10 working days, Legal requirement: 3 months</i>	488	485	99

# 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 2022-23 £000	Total Paid On Time £000	% Paid On Time	Total Paid Late £000	% Paid Late
Employer	103,236	103,104	99	132	1
Employee	26,864	26,826	99	38	1
<b>Total</b>	<b>130,100</b>	<b>129,930</b>	<b>99</b>	<b>170</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. The necessary recoveries arising from identified overpayments are being pursued.

Annual Pensioner Payroll (£) <sup>1</sup>	88,385,162
Total write off amount (£)	212,053
Write offs amount as % of payroll	0.24

<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 £
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
2022-23 <sup>3</sup>	262,560	50,507	212,053

<sup>2</sup>Overpayments in 2018-19 and 2019-20 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.

<sup>3</sup>Overpayments in 2022-23 are high, as in addition to usual activity, the Fund undertook a Guaranteed Minimum Pe (GMP) rectification project. Overpayments identified as a result of incorrect or non-application of the GMP are automatically written off without authorisation, unless the member could have known that their pension was being paid incorrectly as a result of the non or misapplication of GMP.

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 2023

Type Of Body	Number of Active Employers
<b>Administering (AA)</b>	<b>1</b>
<b>Scheduled (S)*</b>	<b>260</b>
<b>Admitted (Ad)</b>	<b>64</b>
<b>Total</b>	<b>325</b>

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

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Abbey CofE Acad (Daventry)	2,430	8,095	10,525		S
Abbeyfield School	61,639	181,214	242,853		S
Abington Vale Primary School	34,188	114,670	148,858		S
ABM (St Mary's CE Primary)	735	4,426	5,161		Ad
ABM Catering (Duston Eldean Primary School)	844	3,927	4,771		Ad
ABM Catering (Lyncrest Primary)	526	2,448	2,974		Ad
ABM Catering Limited (Innovate MAT)	571	2,002	2,573	Y	Ad
ABM Catering Limited - 2016 PDET	2,664	11,916	14,580		Ad
ABM Catering Limited (2018 PDET)	633	2,545	3,178		Ad
ABM Catering Limited (Montsaye Academy)	2,917	9,810	12,727		Ad
Action for Children (Daventry)	42	183	225	Y	Ad
Alfred Street Junior School (NNC)	6,256	28,759	35,015		S*
All Saints CofE VA Primary School (WNC)	34,128	155,096	189,224		S*
Alliance in Part' (Magdalen C)	94	724	818		Ad
AMEY Limited	11,745	35,229	46,974		Ad
Ashby Fields Primary School	25,446	97,902	123,348		S
Ashton CofE Primary School (WNC)	3,841	17,591	21,432		S*
Aspens - DSLV Academy (Dantre & Southbrook)	2,002	12,683	14,685		Ad

The table to the left, shows the number of employers in the Fund as at 31 March 2023. 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 2022-23, or contribution receipts recorded within the period.

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Badby School	12,613	43,770	56,383		S
Balfour Beatty-St Lighting	3,847	8,519	12,366		Ad
Barby & Olney Parish Council	196	3,821	4,017	Y	S
Barby Academy	4,906	14,203	19,109		S
Barry Road Primary (WNC)	29,083	129,568	158,651		S*
Barton Seagrave Primary School (NNC)	40,864	186,241	227,105		S*
Beanfield Primary School	64,638	202,956	267,594		S
Billing Brook Academy	93,244	293,921	387,165		S
Birkin Cleaning Services (Elizabeth Woodville)	4,974	33,819	38,793		Ad
Bishop Stopford Academy	69,252	222,999	292,251		S
Blackthorn Primary (Academy)	23,327	74,678	98,005		S
Blakesley CE Primary	5,520	26,105	31,625		S
Blisworth Community Primary School (WNC)	9,067	40,376	49,443		S*
Boddington C of E Primary Academy	4,347	17,072	21,419		S
Boothville Primary School (WNC)	47,768	221,234	269,002		S*
Boughton Primary Academy	11,027	35,804	46,831		S
Bozeat Community Primary Academy	8,605	36,708	45,313		S
Brackley Church of England Junior School (WNC)	12,280	55,564	67,844		S*

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Brackley Town Council	25,413	103,720	129,133		S
Brambleside Primary School	20,447	85,282	105,729		S
Braunston Academy	15,348	39,443	54,791		S
Briar Hill Primary Academy	17,677	58,750	76,427		S
Bridgewater Primary School (WNC)	46,176	208,284	254,460		S*
Brightr Ltd (Braunston Primary School)	287	1,045	1,332		Ad
Brigstock Latham's CE Primary School (NNC)	4,784	22,265	27,049		S*
Brington Primary school (WNC)	6,833	30,145	36,978		S*
Brixworth CEVC Primary Sch. (WNC)	31,927	143,377	175,304		S*
Brixworth Parish Council	1,372	5,244	6,616		S
Brooke Weston Academy	153,573	436,616	590,189		S
Broughton Primary School (NNC)	14,209	63,780	77,989		S*
Buckton Fields Primary School	8,780	35,813	44,593		S
Bugbrooke Comm Primary Sch. (WNC)	19,655	90,358	110,013		S*
Byfield Academy	10,188	37,409	47,597		S
Campion School	72,824	226,833	299,657		S
Camrose Early Years Centre Children and Families (WNC)	28,304	123,729	152,033		S*
Caroline Chisholm (Academy)	103,110	323,750	426,860		S
Castle Primary Academy	33,814	120,409	154,223		S
Caterlink (The Grange)	545	1,990	2,535		Ad
Caterlink Ltd (Eastfield Academy)	170	669	839		Ad
Cedar Road Primary (Academy)	12,786	44,927	57,713		S
Chacombe CEVA Primary Academy	7,993	29,382	37,375		S
Chenderit School (Academy)	38,721	126,760	165,481		S
Chiltern Primary School (WNC)	20,781	95,980	116,761		S*

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Chipping Warden Primary Academy	6,647	28,812	35,459		S
Cleantec (Chenderit School)	2,105	7,502	9,607		Ad
Cleantec (The Parker E-ACT)	3,977	12,728	16,705		Ad
Cleantec Services (Grange Primary)	333	1,732	2,065		Ad
Clipston Primary (WNC)	6,931	32,000	38,931		S*
Cogenhoe Primary School	6,926	36,286	43,212		S
Collingtree C of E Primary School	6,329	17,034	23,363		S
Compass (The Abbey Primary School & Standens Barn Primary School)	507	2,361	2,868	Y	Ad
Compass Contract Services (Fairfields School)	42	197	239		Ad
Coombs Catering (Thomas Beckett Catholic Academy)	2,374	10,424	12,798		Ad
Corby Business Academy	75,979	234,360	310,339		S
Corby Old Village Sch (NNC)	15,033	68,518	83,551		S*
Corby Primary Academy	37,979	130,891	168,870		S
Corby Technical School	57,612	174,088	231,700		S
Corby Town Council	3,771	16,676	20,447		S
Cosgrove Village Primary (WNC)	7,024	32,691	39,715		S*
Cottingham CofE Primary Academy	8,639	22,991	31,630		S
Cranford CoE Academy	6,946	18,393	25,339		S
Crick Primary School (WNC)	11,266	50,915	62,181		S*
Croughton All Saints CE Primary (WNC)	6,941	30,635	37,576		S*
Croyland Nursery (NNC)	23,283	99,618	122,901		S*
Croyland Primary (Well'boro) (NNC)	45,099	204,515	249,614		S*
Cucina Restaurants (Elizabeth Woodville School)	3,267	12,703	15,970		Ad
Culworth C of E Primary Academy	6,893	29,144	36,037		S
Danesholme Infants Academy	18,772	74,715	93,487		S

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Danesholme Junior Academy	17,371	82,477	99,848		S
Daventry Hill School	71,419	218,203	289,622		S
Daventry Norse Limited	23,076	101,612	124,688		Ad
Deanshanger Parish Council	1,385	6,072	7,457		S
Deanshanger Primary (WNC)	22,761	102,409	125,170	Y	S*
Deanshanger Primary School	2,108	9,458	11,566		S
Delapre Primary School (WNC)	39,342	177,208	216,550		S*
Denfield Park Primary (NNC)	30,359	137,751	168,110		S*
Denton Primary School (WNC)	12,330	55,370	67,700		S*
Desborough Town Council	2,235	8,733	10,968		S
DSL V E-ACT Academy	39,514	127,900	167,414		S
Duston Eldean Primary (WNC)	31,967	145,292	177,259		S*
Duston Parish Council	8,011	30,778	38,789		S
Earl Spencer Primary School (WNC)	29,030	131,954	160,984		S*
Earls Barton Parish Council	1,756	7,668	9,424		S
Earls Barton Primary School (NNC)	29,494	135,662	165,156		S*
East Haddon CE Primary School (WNC)	4,303	19,831	24,134		S*
East Hunsbury Parish Council	6,026	18,860	24,886		S
East Hunsbury Primary Academy	37,952	149,653	187,605		S
Eastfield Academy	10,714	35,479	46,193		S
Easy Clean (Campion Sch)	2,377	8,254	10,631		Ad
Easy Clean Contractors Limited (St Thomas More Catholic Primary)	242	1,146	1,388		Ad
Easy Clean Contractors Ltd (St Brendan Pri)	466	3,506	3,972		Ad
Ecton Brook Primary (Academy)	55,417	183,211	238,628		S
Ecton Village Academy	4,356	16,769	21,125		S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Elizabeth Woodville Academy	50,133	186,283	236,416		S
emPSN Services Ltd (pre. EMBC)	25,941	55,355	81,296		Ad
Enterprise Managed Services Ltd	-	77,046	77,046	Y	Ad
Exeter - a learning community	43,234	137,772	181,006		S
Fairfields Special (WNC)	74,140	334,532	408,672		S*
Falconers Hill Academy	9,769	35,878	45,647		S
Falconers Hill Infant School	16,687	64,079	80,766		S
Farthinghoe Primary School	3,416	12,798	16,214		S
Finedon Infants School	11,894	45,047	56,941		S
Finedon Mulso CEVA Junior School	10,192	38,982	49,174		S
Finedon Town Council	1,303	6,213	7,516		S
Flore Church of England Primary School (WNC)	8,071	36,555	44,626		S*
Freemans Endowed Church of England Junior School	19,842	49,440	69,282		S
Fresh Start Catering Limited	639	2,820	3,459		Ad
Friars Academy	55,877	187,498	243,375		S
Futures Housing Group	26,361	311,707	338,068		Ad
Gateway School (WNC)	27,426	120,965	148,391		S*
Gayton Church Of England Primary School (WNC)	8,491	38,830	47,321		S*
Geddington CE Primary School (NNC)	13,606	61,482	75,088		S*
Glaphorn Church of England Primary School	4,757	17,536	22,293		S
Gloucester Nursery School (WNC)	11,100	49,045	60,145		S*
Grand Union Housing Group	68,748	344,407	413,155		Ad
Grange Park Parish Council	2,076	8,030	10,106		S
Grange Primary Academy	20,055	71,555	91,610		S



# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Great Addington CEVA Academy	5,184	13,207	18,391		S
Great Doddington Primary (NNC)	6,381	29,468	35,849		S*
Greatwell Homes	30,218	21,396	51,614		Ad
Greatworth Primary School (WNC)	1,989	9,156	11,145		S*
Green Oaks Academy	17,002	69,434	86,436		S
Greenfields Primary School and Nursery	26,281	87,786	114,067		S
Greenfields Spec Sch for Comm	47,574	158,376	205,950		S
Greens Norton Primary School	12,538	33,545	46,083		S
Grendon CE Primary School (NNC)	13,509	34,598	48,107		S*
Gretton Primary School	7,841	26,065	33,906		S
GSO Limited (Prince William and Stimpson Avenue)	1,713	6,991	8,704		Ad
Guilborough CEVA Primary School	9,706	25,895	35,601		S
Guilborough School (Academy)	60,405	193,159	253,564		S
Hackleton CofE Aided Primary School (WNC)	10,014	44,757	54,771		S*
Hall Meadow Primary School	26,893	81,777	108,670		S
Hardingstone Academy	14,315	47,487	61,802		S
Harlestone Primary School (WNC)	5,014	23,336	28,350		S*
Harpole Primary School (WNC)	8,918	40,343	49,261		S*
Hartwell Primary (Academy)	10,549	35,096	45,645		S
Havelock Infants	17,853	66,864	84,717		S
Havelock Junior	20,594	77,351	97,945		S
Hawthorn Community Primary	17,803	65,404	83,207		S
Hayfield Cross CofE School (NNC)	20,521	93,819	114,340		S*
Hazel Leys Primary & Nursery School	20,089	89,921	110,010		S
Headlands Primary (Academy)	60,097	194,371	254,468		S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Helmdon Primary School (WNC)	4,935	22,343	27,278		S*
Henry Chichele Primary School (NNC)	25,599	117,889	143,488		S*
Higham Ferrers Junior School (NNC)	22,413	100,332	122,745		S*
Higham Ferrers Nur & Inf sch (NNC)	20,750	93,084	113,834		S*
Higham Ferrers Town Council	3,054	11,406	14,460		S
Highfield Nursery (NNC)	11,716	51,341	63,057		S*
Hopping Hill Primary (WNC)	27,601	123,345	150,946		S*
Hospital and Outreach Education PRU	21,748	84,719	106,467		S
Hunsbury Park Primary (WNC)	29,612	131,764	161,376		S*
Huxlow Academy	51,731	194,068	245,799		S
IDVerde	38,173	7,332	45,505		Ad
Innovate Services Ltd (Campion School)	2,701	8,640	11,341		Ad
Irchester Primary	24,160	100,181	124,341		S
Irthlingborough Junior School	29,275	108,013	137,288		S
Irthlingborough Nursery & Infants School	20,864	79,237	100,101		S
Irthlingborough Town Council	9,851	40,074	49,925		S
Isebrook School	132,253	415,441	547,694		S
Isham CE Primary Academy	7,456	22,121	29,577		S
John Hellins Primary School (WNC)	17,241	79,566	96,807		S*
Just Ask Estate Services Limited	7,048	25,369	32,417		Ad
Kettering Buccleuch Academy	94,066	275,103	369,169		S
Kettering Park Infants Academy	14,470	70,068	84,538		S
Kettering Park Junior Academy	21,670	80,001	101,671		S
Kettering Science Academy (including Compass Primary)	109,977	342,369	452,346		S
Kettering Town Council	1,171	4,866	6,037		S

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Kier (May Gurney Fleet & Passenger)	17,940	107,013	124,953	Y	Ad
Kier (MAY GURNEY Ltd)	11,471	24,125	35,596	Y	Ad
Kier (May Gurney Nordis)	16,435	60,322	76,757		Ad
Kier (North Northants)	25,582	62,064	87,646		Ad
Kier (West Northants)	6,021	16,687	22,708		Ad
Kilsby Academy	6,911	24,737	31,648		S
Kings Cliffe Endowed Primary School (NNC)	12,220	55,606	67,826		S*
Kings Heath Primary Academy	17,640	57,618	75,258		S
Kings Meadow School (WNC)	16,567	74,599	91,166		S*
Kings Sutton Primary Academy	9,269	34,793	44,062		S
Kingsley Primary School	21,436	81,740	103,176		S
Kingsley Special Academy	77,888	291,154	369,042		S
Kingsthorpe College	41,714	221,913	263,627		S
Kingsthorpe Grove P (WNC)	39,492	180,214	219,706		S*
Kingsthorpe Village Primary School (WNC)	14,072	64,071	78,143		S*
Kingswood Catering (Bridgstock Lathams)	549	2,557	3,106		Ad
Kingswood Catering (Little Harrowden Primary)	240	821	1,061	Y	Ad
Kingswood Primary Academy	20,433	86,507	106,940		S
Kingswood Secondary Academy	80,030	315,417	395,447		S
Kislingbury CE Primary Academy	7,282	21,365	28,647		S
Latimer Arts College (NNC)	56,978	244,470	301,448		S*
Legacy Leisure Ltd	1,047	5,710	6,757		Ad
Lings Primary (Academy)	24,388	78,244	102,632		S
Little Harrowden Community Primary School	11,375	38,328	49,703		S
Little Houghton CE Primary (WNC)	6,535	30,231	36,766		S*
Little Stanion Primary School (NNC)	21,431	93,617	115,048		S*

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Loatlands Primary Academy	29,365	108,809	138,174		S
Loddington CE Primary School	8,180	20,481	28,661		S
Lodge Park Academy	51,394	189,485	240,879		S
Long Buckby Infant School (WNC)	8,571	39,926	48,497		S*
Long Buckby Junior School (WNC)	15,512	70,953	86,465		S*
Lumbertubs Primary Academy	16,033	51,821	67,854		S
Lyncrest Primary School (WNC)	12,794	58,324	71,118		S*
Magdalen College (Academy)	74,799	296,036	370,835		S
Maidwell Primary School (WNC)	5,603	25,779	31,382		S*
Malcolm Arnold Academy	61,080	192,076	253,156		S
Malcolm Arnold Prep (DRET)	14,410	46,042	60,452		S
Manor School Sports College	117,497	257,112	374,609		S
Maplefields Academy	49,050	174,107	223,157		S
Mawsley Primary (NNC)	17,434	78,538	95,972		S*
Maxim Facilities Management Ltd	1,210	4,822	6,032		Ad
Meadowside Primary School (NNC)	29,618	132,550	162,168		S*
Mears Ashby C of E Endowed School	6,084	14,354	20,438		S
Middleton Cheney Academy	23,016	79,616	102,632		S
Millbrook Infant (NNC)	16,200	73,619	89,819		S*
Millbrook Junior School (NNC)	32,030	144,279	176,309		S*
Millway Primary School (WNC)	20,732	93,387	114,119		S*
Milton Parochial Primary School	6,644	20,928	27,572		S
Miquill South LTD (Whitefriars School)	167	777	944		Ad
Mitie Care & Custody Ltd	19,362	56,720	76,082		Ad
Monksmoor Park CE Primary School (WNC)	15,571	70,099	85,670		S*
Montsaye Academy	72,263	216,925	289,188		S

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Moulton College	239,751	852,008	1,091,759		S
Moulton Parish Council	11,061	40,919	51,980		S
Moulton Primary School (WNC)	39,733	180,854	220,587		S*
Moulton School and Science College	74,074	231,367	305,441		S
Naseby CE Primary	3,592	13,468	17,060		S
Nassington School (NNC)	5,169	23,127	28,296		S*
Newbottle and Charlton CEVA Primary School (WNC)	7,526	34,916	42,442		S*
Newnham Primary Academy	5,229	21,368	26,597		S
Newton Road School	14,243	48,358	62,601		S
Nicholas Hawksmoor Primary School	74,402	278,345	352,747		S
North Northants Council	4,717,692	20,337,313	25,055,005		S
Northampton Academy	103,832	301,213	405,045		S
Northampton College	388,013	1,528,017	1,916,030		S
Northampton High School	19,701	131,032	150,733		Ad
Northampton International Academy	92,725	325,848	418,573		S
Northampton Partnership Homes Ltd	600,376	3,154,576	3,754,952		S
Northampton School for Boys	93,953	292,625	386,578		S
Northampton School for Girls Academy	58,577	232,053	290,630		S
Northampton Theatres Trust Ltd	12,542	110,376	122,918		Ad
Northampton Town Council	20,507	72,055	92,562		S
Northamptonshire Carers	6,151	22,647	28,798		Ad
Northamptonshire Children's Trust	2,182,132	6,491,067	8,673,199		S
Northamptonshire County Council	-	11,773	11,773	Y	AA (pre Apr21)
Northamptonshire Fire & Rescue Service	127,663	343,364	471,027		S
Northamptonshire Sport	33,895	81,634	115,529		Ad

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Northants Chief Constable	2,034,800	6,348,554	8,383,354		S
Northants Music & P/A Trust	3,838	-	3,838		Ad
Northants Police & Fire Crime Commissioner	161,620	364,396	526,016		S
Northgate Sch Arts (Academy)	117,137	375,509	492,646		S
NSL LTD	880	-	880	Y	Ad
Oakley Vale Primary School	21,286	67,510	88,796		S
Oakway Academy	23,008	97,632	120,640		S
Old Stratford Primary School	11,111	44,931	56,042		S
Olympic Primary School Academy	21,968	80,398	102,366		S
Oundle CE Primary School	24,484	62,928	87,412		S
Oundle Town Council	4,113	16,188	20,301		S
Our Lady Immaculate Catholic Academies Trust HQ staff	21,158	56,225	77,383		S
Our Lady of Walsingham Catholic Primary School	23,050	79,639	102,689		S
Our Ladys Catholic Primary School	21,933	138,928	160,861		S
Overstone Primary School (WNC)	11,408	51,649	63,057		S*
Park Junior School (NNC)	21,783	103,456	125,239	Y	S*
Parklands Nursery School (WNC)	6,284	28,325	34,609		S*
Parklands Primary School	16,674	65,823	82,497		S
Parkwood Leisure Ltd (formerly The Castle Theatre)	1,186	4,250	5,436		Ad
Pathfinder Legal Services Ltd (WNC)	123,407	423,751	547,158		S
Pattishall Church of England Primary School (WNC)	8,938	41,054	49,992		S*
Paulerspury CoE Primary (WNC)	6,217	30,387	36,604	Y	S*
Pboro Diocese Ed. Trust (HQ)	84,626	150,873	235,499		S
Pen Green Centre for Children	98,581	385,200	483,781		S*

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased Body
Pineham Barns Primary School (Free School)	17,445	56,453	73,898	S
Pitsford Primary School (WNC)	4,826	22,293	27,119	S*
Places For People Leisure Management Ltd	7,522	-	7,522	Ad
Polebrook CoE Primary School	4,446	20,814	25,260	S
Preston Hedge's Primary (Acade)	36,756	110,232	146,988	S
Prince William Academy	30,793	152,671	183,464	S
Priors Hall - A Learning Community	28,275	108,254	136,529	S
Prospects Services	10,222	-	10,222	Ad
Purple Oaks Academy	33,093	114,447	147,540	S
Pytchley Endowed CEVA Primary School	8,355	28,201	36,556	S
Queen Eleanor Primary Academy	14,832	51,277	66,109	S
Raunds Park Infant School	8,195	38,539	46,734	S
Raunds Town Council	9,192	37,575	46,767	S
Rectory Farm Primary Academy	16,537	59,455	75,992	S
Red Kite Academy	53,689	166,914	220,603	S
Redwell Primary School	32,084	163,654	195,738	S
Ringstead CoFE Primary Academy	10,363	26,432	36,795	S
RM Education (Brooke Weston Academy)	25,084	96,978	122,062	Ad
Road Primary School (WNC)	18,270	83,902	102,172	S*
Rockingham Forest Trust	709	5,071	5,780	Ad
Rockingham Primary Academy	18,582	60,539	79,121	S
Ronald Tree Nursery School	16,033	70,620	86,653	S*
Rothersthorpe CE Primary School (WNC)	3,800	16,834	20,634	S*
Rothwell Junior School	20,145	75,149	95,294	S
Rothwell Town Council	1,351	5,869	7,220	S
Rothwell Victoria Infants School	15,562	57,587	73,149	S
Rowan Gate Primary (NNC)	104,110	465,139	569,249	S*

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased Body
Rushden Academy	48,162	167,160	215,322	S
Rushden Primary Academy	24,604	79,492	104,096	S
Rushden Town Council	18,506	67,475	85,981	S
Rushton Primary Academy	6,324	23,908	30,232	S
Ruskin Infant and Nursery School	14,590	59,124	73,714	S
Ruskin Junior Academy	19,093	78,325	97,418	S
Shaw Healthcare	9,140	-	9,140	Ad
Silverstone CE Primary Academy	16,376	44,254	60,630	S
Silverstone UTC	29,683	82,878	112,561	S
Simon de Senlis Primary Academy	26,613	106,110	132,723	S
Sir Christopher Hatton Academy	87,397	267,919	355,316	S
South End Infant School (NNC)	22,189	100,876	123,065	S*
South End Junior Rushden (NNC)	21,249	96,935	118,184	S*
Southfield Primary Academy	11,514	44,977	56,491	S
Southfield School for Girls	57,529	216,561	274,090	S
Sponne School (Academy)	96,442	309,031	405,473	S
Sports & Leisure Management (Everyone Active)	1,344	3,914	5,258	Ad
Spratton CE Primary School	9,644	23,639	33,283	S
Spring Lane Primary School	27,255	90,251	117,506	S
St Andrews CEVA Primary School (WNC)	22,344	100,352	122,696	S*
St Andrews Primary Academy	28,340	65,715	94,055	S
St Barnabas	14,878	37,808	52,686	S
St Brendan's Catholic Primary School	14,609	69,068	83,677	S
St Edwards Catholic Primary	11,189	46,866	58,055	S
St Gregory's Catholic Primary School	19,566	77,616	97,182	S

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
St James CE Primary School	56,231	136,526	192,757		S
St James Infant School	17,087	57,938	75,025		S
St Loy C of E Primary Academy	3,368	13,224	16,592		S
St Lukes CEVA Primary School Academy	27,390	77,242	104,632		S
St Marys Catholic Primary School	11,843	48,860	60,703		S
St Mary's Catholic Primary School (Aston-le-Walls) (WNC)	4,159	-	4,159		S*
St Mary's CEVA Pri Acad Kettering	22,272	81,851	104,123		S
St Mary's Pri Acad, Burton Latimer	18,131	44,521	62,652		S
St Patricks Primary (NNC)	17,612	79,499	97,111		S*
St Peters's C of E Academy	8,803	30,517	39,320		S
St Thomas More Catholic Primary School	12,725	58,251	70,976		S
Standens Barn Primary School	18,449	72,489	90,938		S
Stanion CoFE (Aided) Primary School (NNC)	6,360	29,507	35,867		S*
Stanton Cross Primary Sch	3,250	14,393	17,643		S
Stanwick Academy	9,430	40,293	49,723		S
Stanwick Parish Council	1,388	6,077	7,465		S
Staverton CoFE Pri Academy	9,774	29,978	39,752		S
Stimpson Avenue Primary Academy	20,009	77,162	97,171		S
Stoke Bruerne Church Of England School (WNC)	5,615	25,973	31,588		S*
Studfall Infant School & Nursery Academy	33,809	143,218	177,027		S
Studfall Junior School Academy	32,465	140,927	173,392		S
Sunnyside Primary (Academy)	13,827	53,790	67,617		S
Syresham St James C.E. Primary School and Nursery (WNC)	8,827	39,596	48,423		S*
Sywell CEVA Primary School	5,448	17,926	23,374		S
Taylor Shaw (Ferrers School)	3,268	12,834	16,102		Ad

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Tennyson Road Infant School (NNC)	12,054	51,351	63,405		S*
The Abbey Primary School	18,512	72,489	91,001		S
The Arbours Primary (Academy)	17,499	57,921	75,420		S
The Avenue Infants School (NNC)	17,899	82,286	100,185		S*
The Bliss Charity School (WNC)	10,653	46,603	57,256		S*
The Bramptons Primary School (WNC)	4,097	19,067	23,164		S*
The CE Academy	37,289	132,489	169,778		S
The Duston School (Academy)	83,761	258,356	342,117		S
The Ferrers School Academy	46,897	159,136	206,033		S
The Good Shepherd Catholic Primary School	17,171	81,387	98,558		S
The Grange School (WNC)	14,756	64,769	79,525		S*
The Parker E-ACT Academy	183,720	435,979	619,699		S
The Spires Academy	15,021	52,230	67,251		S
The University of Northampton	1,310,156	5,235,895	6,546,051		S
Thomas Becket Catholic School	37,226	171,415	208,641		S
Thorplands Primary (Academy)	20,707	70,776	91,483		S
Thrapston Primary (NNC)	38,227	173,058	211,285		S*
Thrapston Town Council	3,142	11,737	14,879		S
Tiffield Church of England Voluntary Aided Primary School (WNC)	3,287	15,301	18,588		S*
Titchmarsh Church of England Primary (NNC)	4,611	21,207	25,818		S*
Towcester CE Primary School (Acad)	28,065	86,493	114,558		S
Towcester Town Council	5,856	23,298	29,154		S
Trilogy Active Ltd	48,713	85,604	134,317		Ad
Trinity CE Primary School	8,695	23,970	32,665		S
Uni of Northampton Enterprises	26,392	-	26,392		Ad

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Upton Meadows	34,388	123,116	157,504	S	
Upton Parish Council	1,031	4,090	5,121	S	
Veolia UK Ltd	56,222	173,972	230,194	Ad	
Vernon Terrace Primary (WNC)	25,836	115,667	141,503	S*	
Victoria Primary Academy	27,435	91,230	118,665	S	
Voice for Victims and Witnesses Ltd	17,768	48,303	66,071	Y	Ad
Walgrave Primary School (WNC)	9,551	43,599	53,150	S*	
Wallace Road Nursery School (WNC)	6,293	27,960	34,253	S*	
Warmington School (NNC)	7,497	34,524	42,021	S*	
Warwick Primary Academy	19,270	58,425	77,695	S	
Waynflete Infants' (Academy)	8,767	42,380	51,147	S	
Weavers Academy	79,723	293,618	373,341	S	
Weedon Bec Parish Council	1,636	6,395	8,031	S	
Weedon Bec Primary School	28,738	91,767	120,505	S	
Weldon Primary Academy	15,274	49,399	64,673	S	
Welford, Sibbertoft and Sulby Endowed School	5,547	17,034	22,581	S	
Wellingborough Norse Limited	739	-	739	Y	Ad
Wellingborough Town Council	7,794	24,433	32,227	S	
Welton C of E Primary (Academy)	7,865	26,060	33,925	S	
West Haddon Endowed CE Primary (WNC)	18,486	84,835	103,321	S*	
West Haddon Parish Council	2,062	9,521	11,583	S	
West Northants Council	5,158,996	22,685,871	27,844,867	AA	
Weston Favell Academy	71,680	246,088	317,768	S	
Weston Favell CE Primary School	32,901	118,043	150,944	S	
Whitefriars Primary School (NNC)	27,555	124,028	151,583	S*	

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Whitehills Nursery School (WNC)	8,464	37,672	46,136	S*	
Whitehills Primary (WNC)	24,658	113,905	138,563	S*	
Whittlebury Church of England Primary School (WNC)	4,213	19,267	23,480	S*	
Wilbarston Primary Academy	7,052	20,120	27,172	S	
Wilby CE Primary School (NNC)	6,982	31,581	38,563	S*	
Windmill Primary School	21,541	75,201	96,742	S	
Wollaston Primary School	12,761	49,257	62,018	S	
Wollaston School (Secondary)	71,279	290,001	361,280	S	
Woodford CoFE Primary School	7,117	30,152	37,269	S	
Woodford Halse CE Primary Academy	18,193	62,933	81,126	S	
Woodland View Primary Academy	23,776	91,760	115,536	S	
Woodnewton - a learning community	67,839	212,635	280,474	S	
Woodvale Primary (Academy)	30,969	97,863	128,832	S	
Wootton Parish Council	7,955	29,286	37,241	S	
Wootton Park School	87,227	245,404	332,631	S	
Wootton Primary (Academy)	24,723	82,980	107,703	S	
Wren Spinney Community School	47,082	211,118	258,200	S	
Wrenn School	82,331	299,374	381,705	S	
WSP Management Services Ltd	13,245	-	13,245	Y	Ad
Yardley Gobion CE Primary School (WNC)	4,426	20,570	24,996	S*	
Yardley Hastings Primary (WNC)	9,094	42,328	51,422	S*	
Yelvertoft Primary School (WNC)	7,129	32,377	39,506	S*	
<b>Grand Total</b>	<b>26,864,457</b>	<b>103,235,973</b>	<b>130,100,430</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") with plans to subscribe to the Stewardship code during 2023-24.

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

The 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 2023, the Northamptonshire Fund had invested £1,480m in sub-funds of the ACCESS Authorised Contractual Scheme and £904m in the UBS passive arrangement resulting in £2,384m of assets under pool management representing 74% of the Fund’s assets.

During 2023-24 the Fund expects further investment in fixed income sub-funds of the ACS when they become available. The focus for ACCESS in 2023-24 is to continue work performed in 2022-23 to develop a pooled solution for Alternative asset classes.

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

In addition to the savings in Investment Management fees 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	2022-23 £000	2015-16 to 2022-23 Cumulative £000
Strategic & Technical	30.4	192.0
Legal	19.9	131.9
Project Management	0	81.1
ACCESS Support Unit	50.7	211.2
Other	5.9	35.3
<b>Total Operational Costs</b>	<b>106.9</b>	<b>651.5</b>

## Cost Savings

The fee savings for the 2022-23 financial year resulting from the asset pooling agenda exceed £2m.

## Cost Transparency

The analysis below shows the investment expenses incurred during financial year 2022-23 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.

## 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	5,818	197	6,015	3,974	1,614	5,588		11,603
Performance Fee	0	0	0	1,778	166	1,944		1,944
Transaction taxes	0	0	0	273	-43	230		230
Broker commissions	0	158	158	107	-16	91		249
Other explicit costs	0	489	489	81	-13	68		557
Implicit/indirect transaction costs	0	480	480	-2	812	810		1,290
Administration	134	0	134	363	1,514	1,877		2,011
Governance and Compliance	20	0	20	240	287	527		547
Other	135	107	242	300	4,129	4,429		4,671
<b>Total</b>	<b>6,107</b>	<b>1,431</b>	<b>7,538</b>	<b>7,114</b>	<b>8,450</b>	<b>15,564</b>		<b>23,102</b>

# Investment Policy and Performance (continued)

## Investment Allocation and Performance

The Pension Fund Committee is responsible for approving the Strategic Asset Allocation proposed by the Investment Sub-Committee (ISC). The Pension Fund Committee performed a review of the Strategic Asset Allocation at the March 2023 meeting in conjunction with the Fund’s Investment Consultants, Mercer Ltd and the 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:

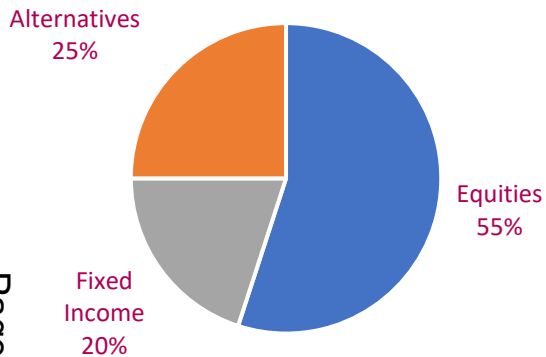
- To reach full funding and be in a position to pay benefits as they fall due; and
- To ensure contributions remain affordable to employers

The recommended changes to the strategy aims to manage the risk that asset returns are below those assumed by the actuary, whereby the funding position worsens. The following changes to the strategy were approved by Pension Fund Committee in March 2023:

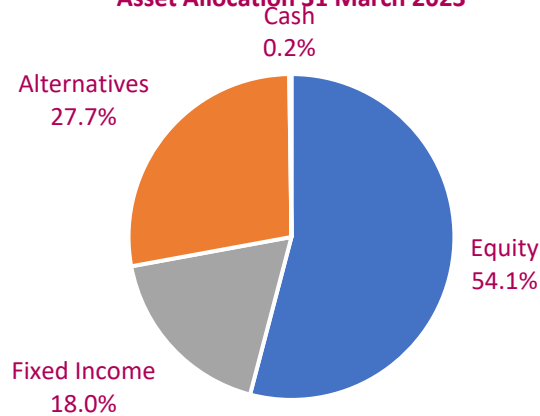
- Reduce the equity allocation by 12.5%, removing the standalone UK equity allocation and retaining the passive equity allocation at 20%;
- Increase fixed income (+10%) and alternatives (+2.5%) allocations to provide greater exposure to inflation linked, cashflow generative assets while protecting the strong funding position;
- Remove the Diversified Growth Fund (-5%) within the alternatives allocation to facilitate direct investment across private market alternative assets;
- Consider sustainable and impact opportunities across an expanded private markets portfolio –aligned with “levelling up” guidance.

The charts below show the Strategic Asset Allocation at the end of the financial year, the strategic asset allocation following Pension Fund Committee approval and the actual allocation of assets at 31 March 2023.

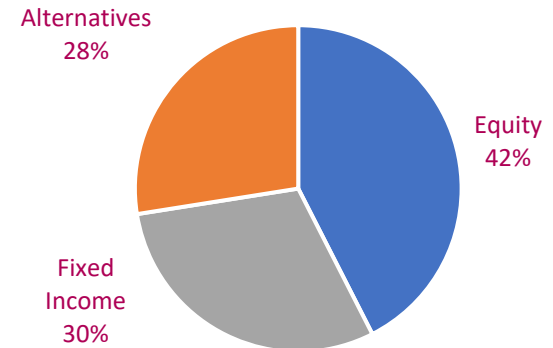
Strategic Allocation at 31 March 2023



Asset Allocation 31 March 2023



Approved Strategic Asset Allocation



# Investment Policy and Performance (continued)

Value of Investments held by each of the Fund's Investment Managers on 31 March 2022 and 31 March 2023:

Manager	31 March 2022		31 March 2023	
	£m	% of Total	£m	% of Total
<b>Equities</b>				
Liontrust UK Equity	293.9	8.8	301.2	9.3
UBS UK Passive Equity	27.4	0.8	28.2	0.9
Newton Global Equity	313.7	9.4	313.8	9.7
Baillie Gifford - Long Term Global Growth	223.3	6.7	195.6	6.0
Longview Global Equity	286.5	8.5	302.9	9.4
UBS Passive Global Equity	676.5	20.2	607.8	18.8
<b>Fixed Income</b>				
UBS Index Linked Gilts	327.1	9.8	268.1	8.3
BlueBay	157.1	4.7	147.9	4.6
M&G Alpha Opportunities	154.6	4.6	163.7	5.1
<b>Alternatives</b>				
CBRE Property	248.5	7.4	212.5	6.6
Baillie Gifford – Diversified Growth	221.7	6.6	202.8	6.3
M&G Real Estate	60.8	1.8	60.8	1.9
HarbourVest	104.6	3.1	135.1	4.2
Adams Street	82.3	2.5	107.3	3.3
Ares Capital	34.7	1.0	35.8	1.1
Allianz	17.1	0.5	12.6	0.4
IFM Infrastructure	58.3	1.7	67.6	2.1
JP Morgan	44.7	1.3	59.5	1.8
Catapult	0.5	0.0	0.6	0.0
<b>Cash</b>	21.5	0.6	10.4	0.2
<b>Total</b>	<b>3,354.8</b>	<b>100.0</b>	<b>3,234.2</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 -4.8% net of fees compared with a weighted benchmark return of -3.8%. In the previous year the total investment return was 8.2% compared with a weighted benchmark of 10.8%. The Fund's total investment return was 9.7% p.a over the three years to 31 March 2023, 6.2% p.a over the five years to 31 March 2023, and 7.4% p.a over the ten years to 31 March 2023.

## 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
Liontrust UK Equity	2.6	2.9	-0.3	12.7	13.8	-1.1	5.5	5.8	-0.3
Newton – Global Equity	0.1	-1.4	1.5	14.8	15.5	-0.7	10.8	10.3	0.5
Baillie Gifford - Long Term Global Growth	-12.4	-1.4	-11.0	11.8	15.5	-3.7	n/a	n/a	n/a
Longview Global Equity	5.8	-1.4	7.2	18.1	15.5	2.6	n/a	n/a	n/a
UBS – Passive Equity	-1.3	-1.4	0.1	14.8	14.7	0.1	10.4	10.4	0.0
UBS Index Linked Gilts	-30.6	-30.4	-0.2	-10.9	-10.8	-0.1	n/a	n/a	n/a
BlueBay	-5.9	-1.7	-4.2	n/a	n/a	n/a	n/a	n/a	n/a
M&G Alpha Opportunities	1.9	-1.7	3.6	n/a	n/a	n/a	n/a	n/a	n/a
Baillie Gifford - DGF	-8.5	5.8	-14.3	3.6	4.4	-0.8	2.5	4.2	-1.7
CBRE - Property	-12.8	-14.5	1.7	0.9	2.6	-1.7	5.1	6.4	-1.3
M&G – Residential Property	0.9	6.0	-5.1	1.8	6.0	-4.2	n/a	n/a	n/a
M&G – Shared Ownership	1.6	6.0	-4.4	n/a	n/a	n/a	n/a	n/a	n/a
HarbourVest – Private Equity	16.4	8.9	7.5	29.1	8.9	20.2	n/a	n/a	n/a
Adams Street – Private Equity	1.4	8.9	-7.5	30.2	8.9	21.3	n/a	n/a	n/a
Ares Capital – Infrastructure Debt	14.4	10.0	4.4	7.9	10.0	-2.1	n/a	n/a	n/a
Allianz – Infrastructure Debt	-28.0	4.0	-32.0	-9.4	4.0	-13.4	n/a	n/a	n/a
IFM Infrastructure	19.7	10.0	9.7	12.0	10.0	2.0	n/a	n/a	n/a
JP Morgan	16.9	10.0	6.9	n/a	n/a	n/a	n/a	n/a	n/a

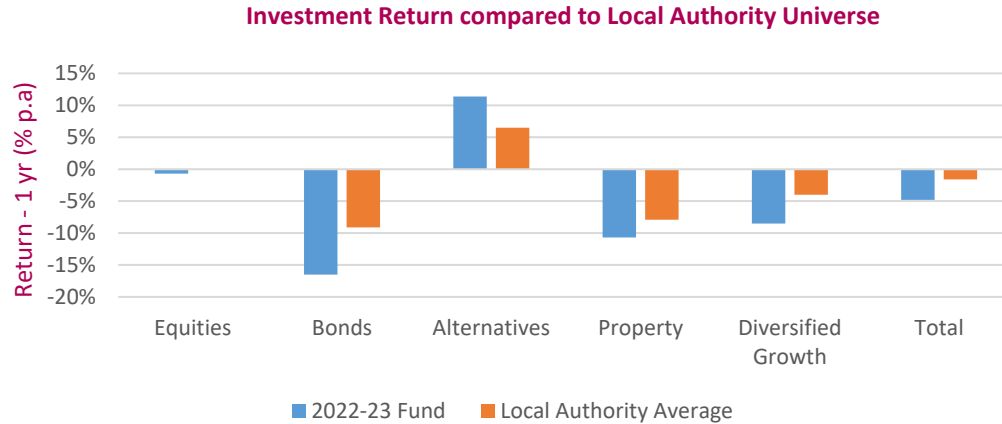
n/a = Not invested for the full period therefore no meaningful performance measure is available

# Investment Policy and Performance (continued)

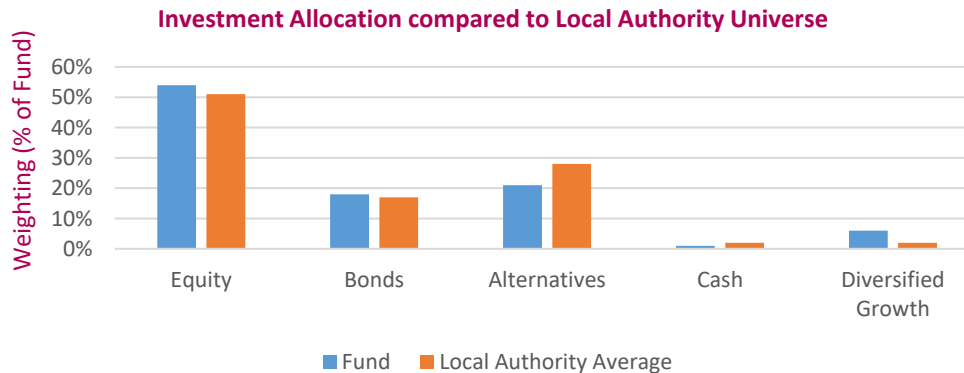
## Performance in Comparison with Local Authority Universe

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 2022-23 the Fund's performance of -4.8% net of fees over the financial year was ranked 80<sup>th</sup> percentile out of the 63 Funds participating in the Universe.



The Fund's current strategy has a slightly higher allocation to Equities and Bonds 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 as well as the Administering Authority's targets in this regard 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 towards producing a climate change reports in future which comply with Task Force on Climate-Related Financial Disclosures (“TCFD”) reporting recommendations, which are 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 (“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 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 developing and meeting the Fund’s climate action plan, climate-change scenario analysis, reporting of metrics and monitoring of progress against agreed targets.

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 climate action plan and / or when the Fund’s annual climate change 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

The Fund undertook climate scenario analysis on its investment strategy in 2021. 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.**

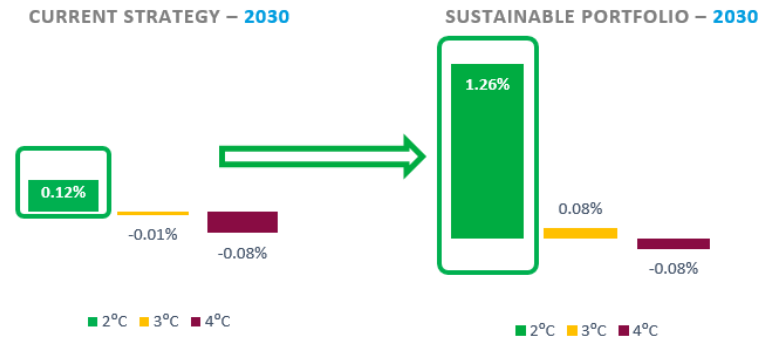
## Resilience of the Fund's investment strategy

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	0.12%
2°C	2050	-0.06%
2°C	2100	-0.08%
3°C	2030	-0.01%
3°C	2050	-0.06%
3°C	2100	-0.10%
4°C	2030	-0.08%
4°C	2050	-0.14%
4°C	2100	-0.18%

## 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).



Climate change impact on return (% p.a.)

As at 30 June 2021. Source: Mercer/Investment Managers

Under the 2°C scenario, to 2030, the Sustainable Portfolio is expected to benefit by up to +16.2% 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>The ISC receives a biannual stewardship monitoring report 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, with an aspiration of achieving a net zero position by 2045.

Targets were set on an absolute emissions basis in 2021, but also monitored on an intensity basis (using two intensity metrics: carbon footprint and weighted average carbon intensity (WACI)). However, the Fund has switched to a carbon footprint metric as the base line measure for a de-carbonisation pathway as it:

# Investment Policy and Performance (continued)

- a) It is not impacted by changes in strategy, unlike absolute emissions. For example, the Fund’s strategic target equity allocation was reduced as part of the investment strategy review undertaken during the Fund year which, all else equal, would lead to a reduction in the level of absolute emissions.
- b) If the Fund widens the scope of its climate reporting in future to include additional asset classes, as it intends to do, this would naturally increase absolute emissions. Carbon footprint is not impacted in the same way.

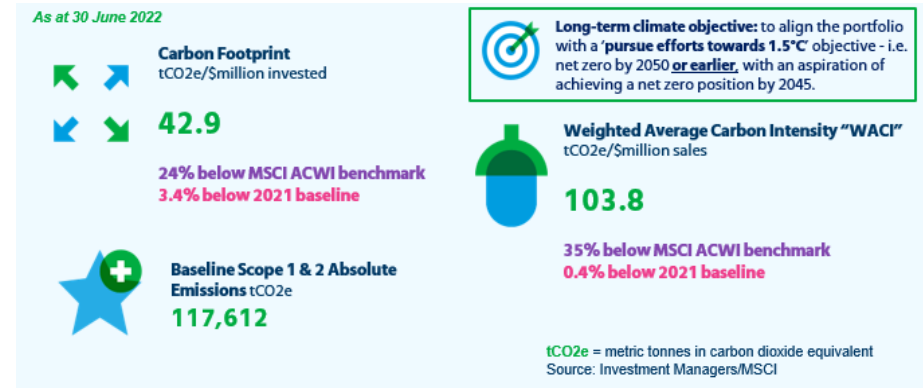
The carbon footprint metric instead normalises absolute emissions by the amount of assets invested. The Fund will continue to track both absolute emissions and WACI too as each metric provides a slightly different insight as to the nature of the companies held within portfolios.

## Carbon reporting dashboard

The Fund’s metrics were initially measured as at 30 June 2021, providing a baseline for future targets, and were recalculated as at 30 June 2022 in order to monitor progress against these targets. The metrics are set out in a publicly available carbon reporting dashboard:

The 2021 and 2022 metrics are based on Scope 1 and 2 emissions data for the listed equity portfolio.

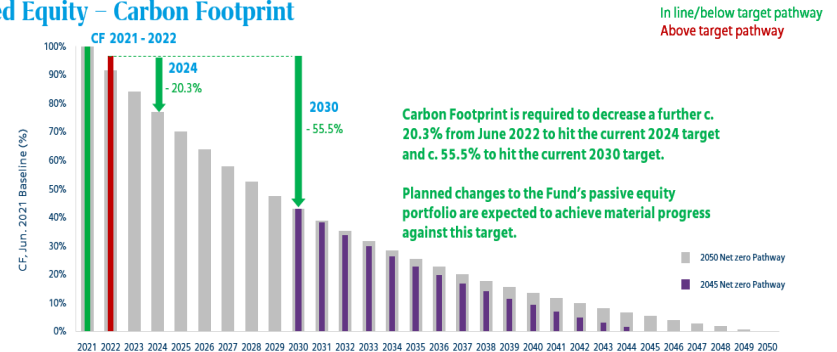
The dashboard will be updated on an annual basis.



## Progress against targets

The chart below demonstrates the Fund’s progress (Green and Red bars) against the pre-defined pathway (Grey bars) required in order to achieve the Net Zero objective by 2050. The purple bars demonstrate the pathway to achieve Net Zero by 2045 for information.

## Listed Equity – Carbon Footprint



While the listed equity portfolio’s Carbon Footprint in 2022 was above the pre-defined pathway, changes to the Fund’s passive equity portfolio were implemented in early 2023 with the objective of improving the portfolio’s climate characteristics. This will be captured in the Fund’s updated metrics at 30 June 2023 and will demonstrate meaningful progress against the targets set.

# Investment Policy and Performance (continued)

Investment Review – Financial Year to 31<sup>st</sup> March 2023

David Crum ASIP, May 2023

## Economic Background & Market Review

Region / Asset Class	Index	12 months % return GBP
<b>UK Equities</b>	FTSE All Share	2.9
<b>European Equities</b>	FTSE Europe X UK	8.7
<b>US Equities</b>	S&P 500	-1.7
<b>Japanese Equities</b>	TOPIX	2.8
<b>Asian Equities</b>	MSCI AC Asia ex Japan	-3.0
<b>Emerging Markets Equities</b>	MSCI Emerging Markets	-4.9
<b>Global Equities</b>	MSCI World	-1.0
<b>UK Government Bonds</b>	FTSE A Over 15 Year Gilts Index	-29.7
<b>UK Index Linked Bonds</b>	FTSE A Over 5 Year Index Linked Gilts Index	-30.4
<b>Global Bonds</b>	Merrill Lynch Global Broad Market Corporate Index	-0.8
<b>UK Property</b>	MSCI All Balanced Property Funds Index	-14.5

The financial year to 31<sup>st</sup> March 2023 was dominated by similar themes to the preceding one, with continuing ructions in geopolitics, global financial markets, and the fiscal & monetary policies of the major economies. These ongoing challenges meant that investors also had to deal with market sentiment volatility, bringing frequent changes in the outlook across the investment landscape.

## Trussonomics & ‘That’ Mini-Budget

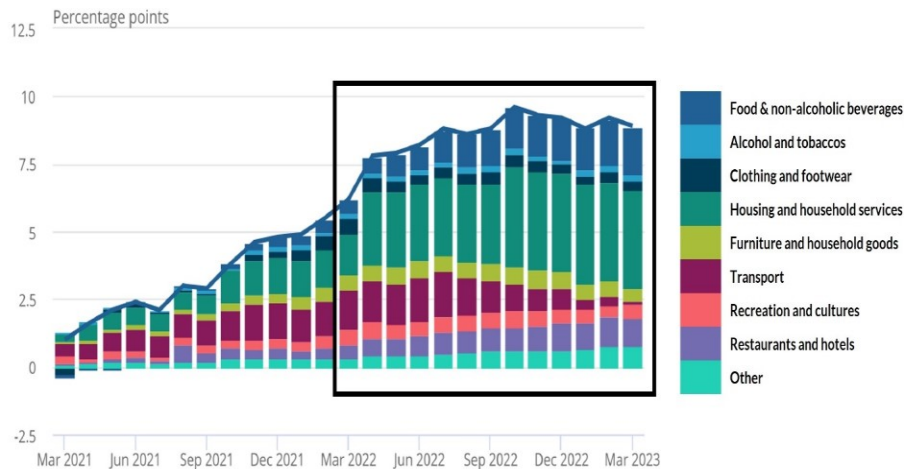
With the continuing war in Ukraine, and China sticking firmly to its ‘One China’ policy over Taiwan in word and deed, the global political arena continued to be tense with the wide-ranging implications of both actions. European resolve over sanctions held firm against Russia’s aggression, but real concerns over the duration of the conflict were never far from the surface, given the impact the war has had on energy and food prices. In the US, the Biden Administration became somewhat bogged down in delivering policy priorities, hampered by stubborn inflation and a divided nation. Closer to home – and somewhat out of the blue – the UK experienced a unique event, having 3 different Prime Ministers within a two month period.

Whilst that in itself might have spooked investors, the mini-budget ‘Growth Plan’ from Prime Minister Liz Truss and her Chancellor, Kwasi Kwarteng, resulted in a very public vote of no confidence from investors. Markets – particularly UK Government debt – reacted badly to the £45 billion package of tax cuts, which came amidst the strongest inflation seen in four decades. Given that this ‘Plan’ was unveiled without any independent analysis of how it would be funded, the market reaction seemed to come as no surprise to anyone other than the Prime Minister and the Chancellor. Following the resignation of both, the alternative contender for Prime Minister – Rishi Sunak – took over from Truss and appointed Jeremy Hunt as Chancellor. Whilst their ‘budget for growth’ Spring Budget also had tax cuts at its core, there was a balance between small cuts in areas benefitting individuals and an increase in corporation tax from 19% to 25% for larger companies which seemed to placate markets.

# Investment Policy and Performance (continued)

## Inflation – What Goes Up Must Come Down

Contributions to the UK annual CPIH inflation rate



Source: Consumer price inflation, UK: March 2022 (ONS)

The inflation story continued in an unwelcome vein, with the Consumer Prices Index including owner occupiers' housing costs (CPIH) standing at 8.9% for the 12 months to March 2023 (albeit down from the peak of 9.6% in October 2022). The largest upward contributions to the annual CPIH inflation rate in March 2023 came from housing and household services (principally from electricity, gas and other fuels), and food and non-alcoholic beverages. In the short term, the largest downward contributions to the monthly change in both the CPIH and CPI annual rates came from motor fuels, and housing and household services (particularly liquid fuels). So, whilst the rate of inflation dropped in March, the absolute level of inflation remains high.

Throughout the financial year to 31/03/23, many workers pressed for increases in wages to match inflation. The results were mixed, with some industries achieving increases close to inflation. However, most saw pay rises offered that did not come close to matching inflation. So, in addition to dealing with the cost of living going up, most workers have ended up getting a pay cut in real terms over the last year. This has clear implications for non-essential spending, and so businesses that rely on discretionary spending are likely to continue to have a challenging operating environment for the immediate future.

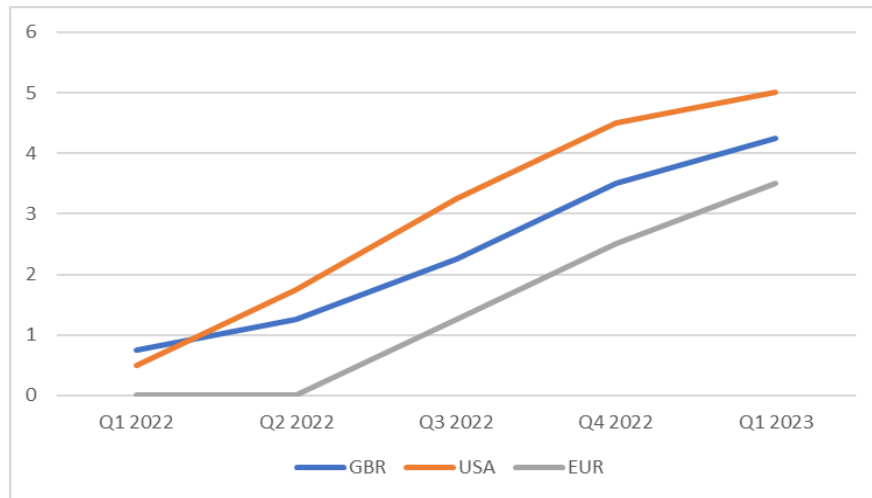
## Interest Rates & the Cost of Living

In my Outlook from last year I said:

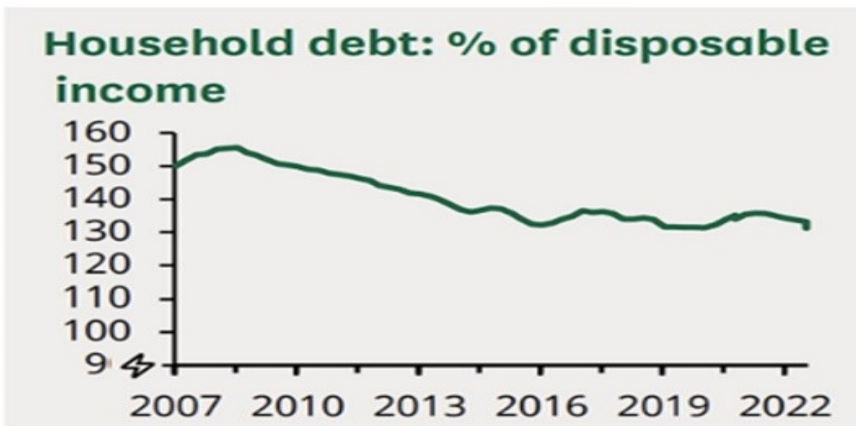
*'Central banks have their work cut out in trying to manage inflationary pressures via monetary policies that have little headroom for significant interest rate rises, and the relative indebtedness of households means that consumer demand could falter as finances continue to be squeezed.'*

The Bank of England, the Federal Reserve and the European Central Bank all raised rates a number of times in the last 12 months to 4.25%, 5% and 3.5% respectively at the end of March 2023, as shown in the chart on the next page. Depending on one's definition of 'significant', it seems that little upward scope or appetite remains for interest rates increases for the most part. And whilst US and EU annual inflation have fallen a reasonable distance from their peaks late last year (suggesting that rate rises have done their job, and that some rate cuts may be on the horizon), the UK's annual inflation has not. At the time of writing this report, the Bank of England had just raised UK interest rates again, up to 4.5%. Rate cuts here seem further down the road.

# Investment Policy and Performance (continued)



From a UK household’s perspective, the level of debt as a percentage of disposable income has remained relatively stable for the last few years, as shown in this chart.



Source: House of Commons Library

In the last year the UK Government introduced an Energy Bills Discount Scheme to help households offset some of the pain of the increased energy costs. However, the increase in mortgage payments felt by many following the rapid interest rate hikes may yet prove to be more problematic for households. The decrease in availability of rental stock in the UK has also seen average rents increase in the last year. The situation relating to household finances remains incredibly challenging, and so a careful eye will need to be cast on the latest debt figures as they are published.

## SVB - Back to the Future

One thing associated with the rising interest rate environment that caught some off guard was the return of choice for cash depositors. In the ‘low for long’ interest rate environment we have had for more than a decade, there has been little incentive attached to changing banking provider. In the relatively rapidly increasing interest rate environment of the last year, deposit options and differences increased as many banks struggled to keep pace with rising rates.

Nowhere was this clearer than in the US, where a large number of banks of all sizes operate. March 2023 saw the collapse of America’s 16<sup>th</sup> largest commercial bank - Silicon Valley Bank, or SVB, used by many technology and startup companies in the US and around the globe. Having invested billions of dollars in US Government bonds in the low rate environment of the past, SVB saw the value of those investments plummet as interest rates rose. At the same time, borrowing costs rose higher with the interest rate increases, meaning tech startups had to channel more cash towards repaying debt.

What started as a mismatch in investment returns became a classic bank run when SVB announced that it had sold some investments at a loss and would need to sell \$2.25 billion in new shares to plug the hole in its finances.

# Investment Policy and Performance (continued)

That set off panic among customers, who withdrew their money in large numbers. The bank's stock subsequently plummeted and dragged other bank shares down with it. Trading in SVB shares was soon halted, with the bank abandoning efforts to raise capital or find a buyer. California regulators then intervened, shutting the bank down.

Problems continued in the US banking sector with the collapse of Signature Bank (also in March) and First Republic Bank (in May, at the time of preparing this commentary). For investors of a certain age, problems in the banking sector bring back painful memories of how the Great Financial Crisis of 2007 – 2008 began. It remains to be seen whether the issues in the US banking sector have been – or indeed can be - contained, and if not, how much appetite and firepower policy makers have to deal with them.

## ESG – Now and Always?

Conversations, approaches and regulations around the incorporation of Environmental, Social and Governance (ESG) factors into asset valuations and stewardship approaches continued, but not always in a positive vein. In particular, the US saw an 'anti-ESG' backlash, with Republican States legislating in an attempt to remove ESG considerations from the investment appraisal and monitoring process of public pension funds. It remains to be seen whether this pushback against responsible investment will be successful – the chances are that it will become bogged down in litigation, since there are likely to be as many pension fund members who support the consideration of ESG issues as those that oppose them.

Closer to home, things were more positive on the 'sustainable stewardship' front. The ACCESS Pool, of which the Northamptonshire Pension Fund is a member, published its Responsible Investment Guidelines. I can also confirm that questions associated with ESG issues – including climate change – continued to be asked of the Fund's investment managers during the last year. Work also continued on understanding the extent to which the companies we invest in are reporting their Scope 1, 2 and 3 Green House Gas (GHG) emissions.

Some companies have made big strides in both quantifying their GHG emissions and also coming up with some kind of plan to deal with them. However, many have not, and so we continue to work with the Fund's investment managers and investment consultant to identify ESG issues and laggards. This is a multi-year project, and scheme members can expect to see more reporting on this in future.

Fund Investment Performance	1 Year Performance	3 Year Performance (p.a.)	5 Year Performance (p.a.)
Northamptonshire Pension Fund	-4.8%	9.7%	6.2%
Fund Benchmark	-3.8%	9.4%	6.2%

The Fund returned -4.8% for the year to 31st March 2023, slightly underperforming the benchmark return of -3.8%. All asset classes delivered a negative return in the last year, and this relative underperformance was a combination of a modest underperformance in equities (-0.8% versus the benchmark of -0.7%) and fixed interest (-16.5% versus -16.8%), with a more marked underperformance in alternatives (-4.1% vs -0.4%).

In terms of specific manager performance, Baillie Gifford, who had had such a stellar year in 2020/21, again had a challenging period, delivering a return of -12.4% against a benchmark return of -1.4% for their Global Equities mandate. Indeed, they were the only equity manager that did not beat their benchmark for the period.

The Fund's fixed interest investments were primarily responsible for the overall negative return. The rising interest rate environment in the UK hit returns for the Fund's UK Gilt investments, which fell -30.6% versus the benchmark return of -30.4%. The Fund's Multi-Asset Credit managers, BlueBay and M&G, had a mixed year, with the former underperforming their benchmark (-5.9% vs -1.7%) and the latter outperforming (1.9% vs -1.7%).



# Investment Policy and Performance (continued)

The Fund's Alternatives exposure also had a challenging year, returning -4.1% against a benchmark return of -0.4%. The headline return belies a mixed performance picture in the alternative assets, with Commercial Property having a tough year (-12.8% vs -14.5%), and Infrastructure and Private Equity investments having a collective positive return. The Fund's investment in the Baillie Gifford Diversified Growth Fund had a very challenging year, returning -8.5% for the financial year and underperforming the benchmark return of 5.8%.

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 period (9.7% p.a. vs 9.4% p.a.) and in line with the benchmark for the 5-year period (6.2% p.a. vs 6.2%). 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.

## Outlook

The first two sentences from the 'Outlook' section in last year's report remain accurate, and remain significant concerns when looking ahead:

*'The war in Ukraine remains a worrying factor, and there is a not insignificant risk that an increasingly cornered Russia may lash out, widening the conflict in Europe. And 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.'*

Recent additional promises of support for Ukraine, particularly in terms of them being provided more advanced defensive weapons that can hit targets well beyond the front line, run the risk of escalation from the Russians. President Putin remains relatively isolated and cornered, with Russia showing no signs of being able to win this conflict through conventional means. Should non-conventional means be used, this would likely be calamitous for both Ukraine and the wider world.

The handling of China also remains a delicate balancing act. At the time of writing this report, the news coming out of the latest G7 meeting, being held in Hiroshima, neatly underlines the China 'problem' – which is whilst they remain a key trading part for all of the G7 economies (and indeed have helped keep inflation low for many years due to the cost of goods produced there), they are increasingly seen as a threat to global stability with their ongoing sabre-rattling over Taiwan, and the threat from their alleged theft of trade and national secrets.

The biggest challenges investors face over the coming year that are not of a geo-political nature are likely to continue to be linked to inflation, interest rates and the consequences of inflation. Whilst annual inflation is falling in the UK, the US and EU, it remains historically high - which will weigh on the minds of central bankers. As a result, meaningful interest rate reductions are unlikely to come through this year, with many commentators predicting another year of higher interest rates.

Concerns also exist over the possibility of a global recession, not helped by the lack of progress in the US to agree a deal on US Government debt. Should no agreement be reached between Republicans and Democrats to raise the 'debt ceiling' by June 1, the US would default on its \$31.4 trillion Government debt. One can only speculate how bad that would be for global financial markets, with one commentator saying that it would bring about a global recession that would make the 2008 financial crash 'look like a tea party'. It is perhaps more plausible that a deal will be reached between Democrats and Republicans to raise the debt ceiling than such a calamitous outcome, but it cannot be entirely discounted.

Whatever the political, financial and economic environments may throw our way, the Fund's investment strategy remains diversified across markets, regions and asset classes, and we remain focussed on targeting long term investment returns that meet the cost of the long term pension liabilities.

# Actuarial Information

## Northamptonshire Pension Fund (“the Fund”) Actuarial Statement for 2022-23

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 2023. In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term)
- where appropriate, ensure stable employer contribution rates
- reflect different employers’ characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations
- manage the fund in line with the stated ESG policies.

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

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

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund’s assets, which at 31 March 2022 were valued at £3,364 million, were sufficient to meet 113% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £380 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers’ contributions for the period 1 April 2023 to 31 March 2026 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 2022 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 2022 valuation were as follows:

Financial Assumptions	31 March 2022
Discount Rate	4.4%
Salary increase assumption	3.2%
Benefit increase assumption(CPI)	2.7%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.6 years	24.3 years
Future Pensioners*	22.5 years	25.8 years

\*Aged 45 at the 2022 Valuation.

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund to the Fund and on the Fund's website.

## Experience over the period since 31 March 2022

Markets continued to be disrupted by the ongoing war in Ukraine and inflationary pressures, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in a higher than expected LGPS benefit increase of 10.1% in April 2023. Despite this, the funding level of the Fund is likely to be higher than reported at the 31 March 2022 funding valuation due to the significant rise in interest rates which reduces the value placed on the Fund's liabilities.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

Steven Scott FFA

6 June 2023

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 2022. The results are presented in this report and are briefly summarized below.

### Funding Position

The table below summarizes the financial position of the Fund at 31 March 2022 in respect of benefits earned by members up to this date (along with a comparison at the last formal valuation at 31 March 2019).

Valuation date	31 March 2019 (£m)	31 March 2022 (£m)
Past Service liabilities	2,679	2,984
Market Value of Assets	2,502	3,364
Surplus/(Deficit)	-176	380
Funding Level	93%	113%

The most significant external event to occur since the last valuation has been the Covid-19 pandemic. The impact on the funding position has been small, likely due to the age profile of the excess deaths and the level of pension.

Other significant factors occurring which affect the funding strategy of the Fund have been the better than expected investment returns. This has had a material positive impact on the funding position and employers’ secondary contribution rates.

## Contribution Rates

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

Primary Rate (% of pay)	Secondary Rate (£)		
1 April 23 – 31 March 26	2023-24	2024-25	2025-26
20.5%	£8,586,000	£8,155,000	£7,660,000

The Primary rate also includes an allowance of 0.8% of pensionable pay for the Fund’s expenses. The average employee contribution rate is 6.4% of pensionable pay.

The minimum contributions to be paid by each employer from 1 April 2023 to 31 March 2026 are shown in the Rates and Adjustment Certificate.

Douglas Green FFA

Robert McInroy FFA

31 March 2023

For and on behalf of Hymans Robertson LLP

# Audit Opinion

# Audit Opinion

# Fund Account

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

# Net Asset Statement

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

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

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

# Notes to the Pension Fund Accounts

## 1. DESCRIPTION OF THE FUND

The Northamptonshire Pension Fund is part of the Local Government Pension Scheme (LGPS) and is administered by West Northamptonshire Council. The Council is the reporting entity for this Pension Fund. The following description of the Fund is a summary only. For more detail, reference should be made to the Annual Report 2022-23 and the underlying statutory powers underpinning the scheme.

### General

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

- the LGPS Regulations 2013 (as amended);
- the LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014 (as amended);
- the LGPS (Management and Investment of Funds) Regulations 2016;
- The Local Government Pension Scheme (Amendment) Regulations 2018.

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

### Membership

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

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

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

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

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

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

<b>Number of employees in scheme:</b>	31-Mar-22	31-Mar-23
Administering Authority	5,010	5,309
Other employers	19,045	18,640
<b>Total</b>	<b>24,055</b>	<b>23,949</b>
<b>Number of pensioners:</b>		
Administering Authority	9,002	7,775
Other employers	8,703	10,639
<b>Total</b>	<b>17,705</b>	<b>18,414</b>
<b>Deferred pensioners:</b>		
Administering Authority	13,688	10,112
Other employers	10,938	17,740
<b>Total</b>	<b>24,626</b>	<b>27,852</b>
<b>Undecided leavers:</b>		
Administering Authority	3,986	2,695
Other employers	6,147	7,814
<b>Total</b>	<b>10,133</b>	<b>10,509</b>
<b>Total members</b>	<b>76,519</b>	<b>80,724</b>

# Notes to the Pension Fund Accounts (continued)

## Funding

Benefits are funded by contributions and investment earnings. Currently the level of contribution income is sufficient to fund regular benefit payments. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2023. Employers' contributions are set as part of the triennial actuarial funding valuation. The last such valuation was at 31 March 2022. Employers' contributions comprise a percentage rate on active payroll between 1.2% and 35.2% and deficit payments of fixed cash amounts set for each employer as part of the triennial funding valuation.

## Benefits

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

	Service pre 1 April 2008	Service 1 April 2008 to 31 March 2014
<b>Pension</b>	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
<b>Lump Sum</b>	Automatic lump sum of 3 x pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

## Career Average Revalued Earnings (CARE)

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

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

## 2. BASIS OF PREPARATION

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

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



# Notes to the Pension Fund Accounts (continued)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Fund Account – Revenue Recognition

#### Contribution Income

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

#### Transfers to and from Other Schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see Notes 8 and 10).

Individual transfers in/out are accounted for on a cash basis.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see page 80) to purchase scheme benefits are accounted for on an accruals basis and are included in Transfers In (see Note 8). Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement. There have been no group transfers in during 2021-22 and 2022-23.

#### Investment Income

##### *i) Interest income*

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

##### *ii) Dividend income*

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

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

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

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

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

### Fund Account – Expense Items

#### Benefits Payable

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

#### Taxation

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

# Notes to the Pension Fund Accounts (continued)

## Management Expenses

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

## Administrative Expenses

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

## Oversight and Governance Costs

All oversight and governance expenses are accounted for on an accruals basis. The costs of obtaining legal and consultancy advice are charged direct to the Fund. The cost of the Pool are charged direct to the Fund.

## Investment Management Expenses

Investment Management expenses are accounted for on an accruals basis.

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

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

## Net Asset Statement

### Financial Assets

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

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

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

### Foreign Currency Transactions

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

# Notes to the Pension Fund Accounts (continued)

## Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes (see Note 15). Purchases and sales of derivatives are recognised as follows:

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

## Cash and Cash Equivalents

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

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

## Financial Liabilities

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

## Actuarial Present Value of Promised Retirement Benefits

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

## Additional Voluntary Contributions

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

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

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

## Contingent Assets and Liabilities

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

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

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

# Notes to the Pension Fund Accounts (continued)

## 4. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

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

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

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

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

The items in the Financial Statements as 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

### Pension Fund Liability

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

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

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

## Actuarial Present Value of Promised Retirement Benefits

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

- **Uncertainties:** Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rates at which salaries and pensions are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. An independent firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied. The actuary has included the McCloud judgement within their calculation shown in Note 20 (disclosure only).
- **Effect if Actual Results Differ from Assumptions:** The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £57m. A 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £4m, and a 1 year increase in assumed life expectancy would increase the liabilities by approximately £125m.

# Notes to the Pension Fund Accounts (continued)

## Private Equity

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

## Infrastructure

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

## Property

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

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

## 6. EVENTS AFTER THE BALANCE SHEET DATE

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

## 7. CONTRIBUTIONS RECEIVABLE

### By category:

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

### By authority:

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

## 8. TRANSFERS IN FROM OTHER PENSION FUNDS

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

# Notes to the Pension Fund Accounts (continued)

## 9. BENEFITS PAYABLE

By category:

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

By authority:

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

## 10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

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

## 11. MANAGEMENT EXPENSES

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

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

# Notes to the Pension Fund Accounts (continued)

## 12. INVESTMENT MANAGEMENT EXPENSES

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

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

## 13. INVESTMENT INCOME

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

# Notes to the Pension Fund Accounts (continued)

## 14. INVESTMENTS

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



# Notes to the Pension Fund Accounts (continued)

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

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

# Notes to the Pension Fund Accounts (continued)

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

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

# Notes to the Pension Fund Accounts (continued)

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

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

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

# Notes to the Pension Fund Accounts (continued)

The following investments represent more than 5% of the Net Asset Statement of the scheme as at 31<sup>st</sup> March 2023.

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

# Notes to the Pension Fund Accounts (continued)

## 15. ANALYSIS OF DERIVATIVES

### Objectives and Policies for Holding Derivatives

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

#### • Futures

There were no outstanding exchange traded future contracts at 31 March 2023 or 31 March 2022.

#### • Options

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

#### • Forward foreign currency

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

There is no specified requirement to use currency hedging within the Fund's Investment Management Agreements. Instead, the Fund managers use their discretion as to whether any currency hedging should be used to mitigate any potential risk.

Settlement	Currency bought	Local Value	Currency sold	Local Value	Asset Value	Liability Value
		Currency		Currency		
One to six months	GBP	43,695	EUR	-49,675	0	0
<b>Total</b>					<b>0</b>	<b>0</b>
Net forward currency contracts at 31 March 2023						<b>0</b>
<b>Prior year comparative</b>						
Open forward currency contracts at 31 March 2022						<b>0</b>
Net forward currency contracts at 31 March 2022						<b>0</b>

# Notes to the Pension Fund Accounts (continued)

## 16. FAIR VALUE

### Valuation of Financial Instruments Carried at Fair Value

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

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

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

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

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

### 16(a). FAIR VALUE HIERARCHY

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

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

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

# Notes to the Pension Fund Accounts (continued)

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

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

# Notes to the Pension Fund Accounts (continued)

## Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with Independent Investment Advisors, the Fund has determined that the valuation methods described above are likely to be accurate within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2023.

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

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

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



# Notes to the Pension Fund Accounts (continued)

## 17. FINANCIAL INSTRUMENTS

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

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

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

# Notes to the Pension Fund Accounts (continued)

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

31-Mar-22		31-Mar-23
£000		£000
<b>Financial assets:</b>		
229,377	Fair value through profit and loss	-165,221
99	Loans and receivables	-747
<b>Financial liabilities:</b>		
1	Fair Value through profit and loss	-2
-48	Loans and receivables	-78
<b>229,429</b>	<b>Total gains/(losses)</b>	<b>-166,048</b>

## 18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

### Risk and Risk Management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall Pension Fund Risk Management Programme.

[Risk Strategy Statement](#)

Responsibility for the Fund's Risk Management Strategy rests with the Pensions Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

### a) Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's Risk Management Strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment Advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

- the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

# Notes to the Pension Fund Accounts (continued)

## Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

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

## Other Price Risk – Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year in consultation with the Fund's investment Advisors, the Council has determined that the following movements in market price risk would have reasonably been possible for the 2022-23 reporting period. The potential price changes disclosed above are broadly consistent with one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment Advisors most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset Type	Potential Market Movement +/- (%p.a.)
UK pooled equities	18.2
Global pooled equities	19.0
Index linked bonds	7.2
Multi asset credit	7.8
Diversified growth	8.9
Property	15.5
Private Equity	31.2
Infrastructure	14.7
Cash and other investment balances	0.3

# Notes to the Pension Fund Accounts (continued)

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

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

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

# Notes to the Pension Fund Accounts (continued)

## Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is routinely monitored by the Council and its investment consultant in accordance with the Fund's Risk Management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks. The Fund's direct exposure to interest rate movements as at 31 March 2023 and 31 March 2022 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

## Interest Rate Risk Sensitivity Analysis

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

31-Mar-22 Asset Type £000	31-Mar-23 £000
327,080 Index linked bonds	268,056
311,757 Multi asset credit	311,629
<b>638,837 Total</b>	<b>579,685</b>

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

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

# Notes to the Pension Fund Accounts (continued)

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

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

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of the assets and the income received from investments impact on the net assets available to pay benefits.

## Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP.

The Fund's currency rate risk is routinely monitored by the Investment Sub Committee and its Investment Advisors in accordance with the Fund's Risk Management Strategy, including monitoring the range of exposure to currency fluctuations.

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

# Notes to the Pension Fund Accounts (continued)

## Currency Risk – Sensitivity Analysis

Following analysis of historical data with the Fund’s Advisors, the Council considers the likely volatility associated with foreign exchange rate movements to be 9.9% (the 1 year expected standard deviation). A 9.9% (31 March 2022: 9.5%) fluctuation in the currency is considered reasonable based on the Fund Advisors analysis of long-term historical movements in the month-end exchange rates over a rolling 36 month period. This analysis assumes that all other variables, in particular interest rates, remain constant. A 9.9% strengthening/weakening of the pound against the various currencies in which the fund holds investments would decrease/increase the net assets available to pay benefits as follows.

Assets exposed to currency risk	Value at 31-Mar-23 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Overseas equities - hedged	234,102	0	234,102	234,102
Overseas equities - unhedged	1,186,070	117,421	1,303,491	1,068,649
Overseas fixed income	147,905	14,643	162,548	133,262
Overseas cash fund	2,210	219	2,429	1,991
<b>Total</b>	<b>1,570,287</b>	<b>132,282</b>	<b>1,702,569</b>	<b>1,438,005</b>

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

## b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund’s financial assets and liabilities. In essence the Fund’s entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

# Notes to the Pension Fund Accounts (continued)

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

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognized rating agency, Standard & Poor's. Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution.

The Council believes it has managed its exposure to credit risk and has had no experience of default or uncollectible deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2023 was £47.4m (31 March 2022: £45.0m). This was held with the following institutions:-

	Rating	31-Mar-22 £000	31-Mar-23 £000
<b>Money market funds</b>			
Northern Trust Global Investors Global Cash Fund	AAAm	36,327	33,295
<b>Bank deposit account</b>			
Barclays Bank	A-1	8,659	14,109
<b>Bank current accounts</b>			
Northern Trust custody accounts	A-1+	47	44
<b>Total</b>		<b>45,033</b>	<b>47,448</b>

## c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs and also cash to meet investment commitments.

The Fund has immediate access to its cash holdings, with the exception of holdings that are for a fixed term when the deposit is placed. The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2023 the value of illiquid assets was £666.3m, which represented 20.5% of the total Fund assets (31 March 2022: £638.5m, which represented 19.0% of the total Fund assets).

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund Investment Strategy. All financial liabilities at 31 March 2023 are due within one year.

## d) Refinancing Risk

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



# Notes to the Pension Fund Accounts (continued)

## 19. FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022. The next valuation will take place as at 31 March 2025 and will be published in 2026.

The key elements of the funding policy are:

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

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

At the 2022 actuarial valuation, the Fund was assessed as 113% funded (93% at the March 2019 valuation). This corresponded to a surplus of £380m (2019 valuation: deficit of £176m) at that time.

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

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

The table below summarizes the whole fund Primary and Secondary Contribution rates at the 2022 triennial valuation. These rates are the payroll weighted average of the underlying individual employer primary and secondary rates, calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate %	Secondary Rate		
1 April 2023 to 31 March 2026: 20.5%	2023-24: £8,586,000	2024-25: £8,155,000	2025-26: £7,660,000

The Primary rate above includes an allowance of 0.8% of pensionable pay for the Fund's expenses. The average employee contribution rate is 6.3% of pensionable pay. Full details of the contribution rates payable can be found in the 2022 actuarial valuation report and the funding strategy statement on the Fund's website.

# Notes to the Pension Fund Accounts (continued)

## Basis of Valuation

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

## Financial Assumptions

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

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

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

## Mortality Assumptions

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

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

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

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

## Other Demographic Valuation Assumptions:

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

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

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

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

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

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

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

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

# Notes to the Pension Fund Accounts (continued)

## 20. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

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

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

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

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

### Assumptions Used

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

# Notes to the Pension Fund Accounts (continued)

## 21. CURRENT ASSETS

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

## 22. CURRENT LIABILITIES

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

## 23. ADDITIONAL VOLUNTARY CONTRIBUTIONS

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

## 24. AGENCY SERVICES

Agency Services represent activities administered by the Fund on behalf of scheme employers which are not included within the Fund Account but are provided as a service and are fully reclaimed from the employer bodies.

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

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

# Notes to the Pension Fund Accounts (continued)

## 25. RELATED PARTIES TRANSACTIONS

### West Northamptonshire Council

The Northamptonshire Pension Fund is administered by West Northamptonshire Council. Consequently, there is a strong relationship between the Council and the Fund. The Council incurred costs of £2.6m (2021-22: £2.2m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.

The Council is also the single largest employer of members of the Pension Fund and contributed £27.9m of employer's contributions to the Fund in 2022-23 (2021-22: £23.6m). At 31 March 2023 there was £1.5m due to the Fund by the Council (31 March 2022: £1.9k was due to the Fund by the Council).

### Governance

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

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

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

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

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

## 25 (a). KEY MANAGEMENT PERSONNEL

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

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

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

## 26. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

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

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

## 27. CONTINGENT ASSETS

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

# Notes to the Pension Fund Accounts (continued)

## 28. ASSET POOLING

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

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

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

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

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

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

# Glossary

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

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

**ACS** Authorised Contractual Scheme

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

**AJC ACCESS** Join Governance Committee

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

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

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

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

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

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

which convert into other government stock.

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

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

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

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

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

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

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

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

# Glossary (continued)

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

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

**GMP** Guaranteed Minimum Pension

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

**IAS** International Accounting Standards

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

**IDRP** Internal Dispute Resolution Procedures

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

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

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

**ISC** Investments Sub-Committee

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

**LPB** Local Pension Board.

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

**PLSA** Pensions and Lifetime Savings Association.

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

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

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

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

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

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

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

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

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

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



# The INTERIM Audit Findings Report for Northamptonshire Pension Fund

**Year ended 31 March 2023**

26 October 2023



# Contents



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This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and will be discussed with the Pensions Committee.

### *Grant Patterson*

Name: Grant Patterson

For Grant Thornton UK LLP

Date: 26 October 2023

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Northamptonshire Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

## Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Our audit work was completed remotely during July-September. Our findings are summarised on pages 23 to 27.

We have identified one adjustment to the financial statements that has resulted in a £7.6m adjustment to the Pension Fund's reported financial position. This is the result of a time lag in information being available to the Fund when it has to prepare its accounts. It is common in the sector and, in our view, does not constitute a control weakness at the Fund as management's process for calculating the estimate has not resulted in a material misstatement. Audit adjustments are detailed in Appendix D.

We have also raised recommendations for management as a result of our audit work in respect of:

- One instance of self-authorisation of a journal, and
- A segregation of duty matter in respect of access to Altair.

These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, at this stage, subject to the following outstanding matters:

- completion of the 2020/21 audit and review by Grant Thornton of predecessor audit file (to obtain assurance over opening balances);
- review of approved and signed management representation letter;
- finalisation of IT General Controls (ITGC) work – see page 13 for more information;
- review of the Annual Report; and
- review of the final set of financial statements.

Our anticipated opinion on the financial statements will be unmodified.

Whilst our work on the Pension Fund financial statements is complete, we will be unable to issue our audit opinion on the Pension Fund financial statements until the audit of the Administering Authority is complete. A draft opinion and letter of representation will be shared with management and agreed for inclusion of the final version of the report to coincide with conclusion of the 2022/23 audit of the Administering Authority.

We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Funds Annual Report on publication of the Council's audited financial statements. We have therefore not given this separate opinion at this time and are unable to certify completion of the audit of the Administering Authority until this work has been completed.

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# 1. Headlines

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## National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](#)

We would like to thank everyone at the Pension Fund for their support in working with us to finish our audit work. A good working relationship has been established, with working papers and supporting documentation supplied in a timely fashion and to a good standard.

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## Local context - triennial valuation

Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of the Pension Fund and set employer contribution rates for the period 2023/24 – 2025/26. For the Pension Fund, the valuation was undertaken by Hymans Robertson, and showed that and showed that the solvency funding level is 113% therefore the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable. The results of the latest triennial valuation are reflected in note 19 to the financial statements. These valuations also provide updated information for the net pension liability on employer balance sheets.

We have performed testing of the completeness and accuracy of triennial valuation source data. This was to support our work providing assurances to auditors of employer bodies. As part of this work, we tested a sample 25 and found the source data to be complete and accurate. This additional testing is only required after each triennial review, rather than annually. See Appendix E for the impact of this work on our 2022/23 audit fee.

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## Change in Key Audit Partner

Ciaran McLaughlin has now left the Firm. Grant Patterson will pick up his role of Key Audit Partner on the Fund's audit. Grant is an experienced public sector auditor and is the Firm's Public Sector (LGPS) Pension Lead.

# 2. Financial Statements

## Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management prior to the Committee date..

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

For Northamptonshire Pension Fund, the Audit Committee fulfil the role of those charged with governance. The Pensions Fund Committee considers the draft financial statements and is part of the overall member oversight process.

## Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter our audit strategy, which was communicated to you on 24 July 2023.

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, and a satisfactory review of the predecessor audit file we anticipate issuing an unqualified audit opinion to coincide with the completion of the 2022/23 audit of West Northamptonshire Council. These outstanding items include:

- completion of the 2020/21 audit and review by Grant Thornton of predecessor audit file (to obtain assurance over opening balances);
- review of management representation letter;
- finalisation of ITGC work - see page 13 for more information;
- review of the Annual report; and
- review of the final set of financial statements.

### Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. A good working relationship has been established, with working papers and supporting documentation supplied in a timely fashion and to a good standard.



## 2. Financial Statements



### Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality level remain the same as reported in our audit plan on 24 July 2023.

We have revised the performance materiality percentage to reflect the materiality levels set by auditors of the admitted bodies in the Fund. This is to ensure we have not determined a level of performance materiality that is too high for the purposes of the audit of the admitted bodies.

We set out in this table our determination of materiality for the Pension Fund.



## 2. Financial Statements

	<b>Pension Fund Amount (£)</b>	<b>Qualitative factors considered</b>
Materiality for the financial statements	48.1m	Materiality is calculated as approximately 1.5% of gross assets per the draft accounts. We deem this to be a level above which errors or omissions would alter the economic decisions of users of the accounts.
Performance materiality	30.1m	Based on the internal control environment at the Fund we determined an initial performance materiality, which we subsequently reduced to consider the materiality levels set by the auditors of admitted bodies.
Trivial matters	2.4m	We deem matters below 5% of materiality to be sufficiently trivial not to warrant drawing to the attention of the Committee.
Materiality for fund account	12.9m	Materiality is calculated as approximately 10% of gross expenditure in the prior year draft accounts. We deem this to be a level above which errors or omissions would alter the economic decisions of users of the accounts.

## 2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
<p><b>Management override of controls</b></p> <p>Under ISA (UK) 240, there is a non-rebuttable presumed risk that management override of controls is present in all entities. The Fund faces external scrutiny of its spending and stewardship of assets and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatements</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• evaluated the design and implementation of management controls over journals</li> <li>• analysed the journals listing and determined the criteria for selecting high risk unusual journals</li> <li>• identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration</li> <li>• gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness.</li> </ul> <p>We identified an issue in relation to management override of controls. The Pension Fund’s journals control environment includes a control to ensure appropriate segregation of duties are in place around journal postings and authorisations. Our audit procedures identified a self-authorized journal posted in the financial year. To address the risk, we have gained assurance that the journal in question was appropriate. We have also extended our testing of journals to gain assurance that this was an isolated instance. We are satisfied that we have gained sufficient assurance that no material misstatements have occurred. See Action plan (p.22) for more detail.</p>
<p><b>Improper revenue recognition</b></p> <p>Under ISA (UK) 240, there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>As external auditors in the public sector, we are also required to give regard to Practise Note 10, which interprets the ISA in a public sector context and directs us to consider whether the assumption also applies to expenditure.</p>	<p>Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue and expenditure recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>- There is little incentive to manipulate revenue and expenditure recognition;</li> <li>- Opportunities to manipulate revenue and expenditure recognition are very limited; and</li> <li>- The culture and ethical frameworks of local authorities, including the administering authority, West Northamptonshire Council, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Therefore, at the planning stage we did not consider this to be a significant risk for Northamptonshire Pension Fund. We have continued our risk assessment throughout the audit and have not identified any circumstances indicating a requirement to alter this decision.</p>



## 2. Financial Statements: Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Valuation of Level 3 investments

The Fund values its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statement date.

By their nature, Level 3 investments valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

Under ISA 315, significant risks often relate to significant nonroutine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgements to reach an appropriate valuation at year end.

Management utilise the services of investment managers as valuation experts to estimate the fair value of these assets.

We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement and a key audit matter

We have:

- evaluated management's processes for valuing Level 3 investments and performed a walkthrough to confirm that controls are implemented as designed
- reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments to ensure the requirements of the Code are met;
- independently requested year end confirmations from investment managers;
- for a sample of investments, tested the valuation by comparing the valuation per the General Ledger (typically based on investor statement as at the reporting date, or in the case of harder to value assets, the latest capital statement available adjusted for known cash movements in the final quarter of the year) to direct confirmation of capital balances from investment managers and, where available latest audited financial statements;
- obtained and reviewed service audit reports for the investment managers where available; and,
- completed sample testing of purchases and sales to prime documentation across the period to support out reconciliation of the opening and closing balances;

Per the results of our work, we are satisfied that management's process for estimating the valuation of Level 3 assets is sufficiently robust. We did not identify any instances where management did not have an appropriate basis for arriving at an estimate.

A key challenge in this area is the impact of timing delays in valuation of assets. As a proportion of the Level 3 assets are held in the Net Assets Statement at their 31 December valuation adjusted for known cash movements, there will inevitably be a variance between the Net Asset Statement and the valuations per the final 31 March capital statements, which typically are received during the audit.

Having assured ourselves of the reliability of valuations provided by the Investment Managers by, as described above, reviewing investor statements at the audited accounts date to gain an independent assessment of the valuations on a sample basis, we were then able to quantify the impact of this timing variance on the financial statements – this has resulted in an adjusted misstatement of £7.6m. This is not material but above our trivial threshold and therefore we are required to report the value to members of the Committee. Management have opted to amend the accounts in this instance.

Our work has indicated that we can take reasonable assurance that the value is not materially misstated. As referred to previously, this is a function of the nature of LGPS Funds and therefore not attributable to any control weaknesses within the organisation.

## 2. Financial Statements: Other risks

### Risks identified

#### Local Government Pension Scheme triennial valuation

Regulation 62 of the Local Government Pension Scheme (LGPS) requires pension fund administering authorities to obtain an actuarial valuation of the fund's assets and liabilities every three years. Triennial funding valuation reports as at 31 March 2022 were required to be obtained by 31 March 2023.

The LGPS is a complex pension scheme with numerous participants, investment portfolios, and various financial and actuarial assumptions. The valuation process involves assessing the fund's assets and liabilities, projecting future cash flows, and making assumptions about investment returns, inflation rates, life expectancies, and other variables.

### Commentary

IAS 26 requires the actuarial present value of promised retirement benefits to be disclosed. It gives three options for disclosure:

Option A - in the net assets statement, in which case it requires the statement to disclose the resulting surplus or deficit

Option B - in the notes to the accounts

Option C - by reference to this information in an accompanying actuarial report.

The Fund have adopted Option B therefore we have completed the following work:

- reviewed the methods used to calculate the estimate, including the models used;
- reviewed the actuarial reports and assessed the reasonableness of the assumptions made in the reports;
- performed tests on the accuracy and completeness of the data used in the valuation process, including member data. This includes examining source documents and reconciling data to supporting records;
- evaluated the adequacy and accuracy of the disclosures related to the LGPS triennial valuation within the financial statements.

## 2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<b>Level 3 Investments – £666.3m</b>	<p>The Pension Fund holds a quantity of investment assets which are deemed to be “hard to value” (also referred to as Level 3 within the IFRS Fair Value hierarchy). These are typically funds holding private equity, infrastructure and property assets. In total these are valued on the balance sheet as at 31 March 2023 at £666.3m.</p> <p>These investments are not traded on an open exchange or market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management obtains periodic valuations of these assets prepared by its fund managers. The Fund also works with advisors who take an independent view of the Fund’s overall performance against the market, enabling management to identify and challenge outliers if possible.</p> <p>Management also obtains Service Auditor Reports for its investment managers and audited accounts for individual funds where available to add a further layer of independent assurance to the valuations provided.</p> <p>The value of the Fund’s holding of level 3 assets has increased by approximately £27.8m (PY; £638.5m). This movement can be explained by a net increase of assets via investment purchases which is offsetting a net decrease in market movements.</p> <p>As noted earlier in the report, due to the nature of these assets, valuations are frequently received in arrears and, as such, per the Fund’s accounting policies a number of assets are held at the December 31 valuation (or similar), adjusted for known cash movements such as purchases or distributions. As such there will inevitably be a variance noted when management’s estimate is compared to actual March 31 valuations received post year end. Working with management, we have been able to quantify this in full, noting a positive variance of £7.6m between management’s estimated valuation as at the balance sheet date and updated valuations using more current investor statements. Management have opted to amend the accounts in this instance.</p>	<ul style="list-style-type: none"> <li>• Evaluated management’s processes for valuing Level 3 investments and performed a walkthrough to confirm that controls are implemented as designed</li> <li>• reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments to ensure the requirements of the Code are met;</li> <li>• independently requested year end confirmations from investment managers;</li> <li>• for a sample of investments, tested the valuation by comparing the valuation per the General Ledger (typically based on investor statement as at the reporting date, or in the case of harder to value assets, the latest capital statement available adjusted for known cash movements in the final quarter of the year) to direct confirmation of capital balances from investment managers and, where available latest audited financial statements; and</li> <li>• obtained and reviewed service audit reports for the investment managers where available.</li> </ul>	Light purple

### Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
- [Light Purple] We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<b>Level 2 Investments – £2,532m</b>	<p>The Pension Fund have investments in various pooled investment vehicles and other funds that in total are valued on the net assets statement as at 31 March 2023 at £2,532m. Some of the investments are not traded on an open exchange or market and the valuation of the investment is subjective.</p> <p>In other cases, the valuation is an aggregate of a number of underlying assets and, as such, the valuation is opaque. In order to determine the value, management uses figures provided by investment managers, supplemented by reviews of Service Auditor Reports, Audited financial statements and other market data as relevant.</p> <p>The value of the Fund's holding of Level 2 assets has decreased by approximately £150m (PY; £2,681.7m). This movement can be explained largely by a decrease in the valuation of pooled investments. This is consistent with our understanding of the wider market conditions.</p>	<ul style="list-style-type: none"> <li>Evaluated management's processes for valuing Level 2 investments;</li> <li>reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments to ensure the requirements of the Code are met;</li> <li>independently requested year end confirmations from investment managers;</li> <li>for a sample of investments, comparing the valuation per the General Ledger (typically based on investor statement as at the reporting date, or in the case of harder to value assets, the latest capital statement available adjusted for known cash movements in the final quarter of the year) to quoted prices from independent sources, or direct confirmation of capital balances from investment managers and, where available latest audited financial statements; and</li> <li>obtained and reviewed service audit reports for the investment managers where available.</li> </ul>	Light purple

### Assessment

[Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated





[Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic

[Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious





[Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# 2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
			Security management	Technology acquisition, development and maintenance	Technology infrastructure		
Pension Administration System (Altair)	ITGC assessment (design and implementation effectiveness only)					Administrative access to Altair was allocated to a user who has operational and financial responsibilities. The combination of operational and financial responsibilities with the ability to administer end-user security is considered a segregation of duties conflict.	We have undertaken further work on journals posted by the user to identify any high risk or unusual financial audit relevant activity with a potentially material impact. No issues identified.
Unit4 ERP Business World	ITGC assessment (design and implementation effectiveness only).	<p>This system is hosted by West Northamptonshire Council.</p> <p>The 2022/23 audit work on the Council's IT system is not completed at this stage. For the purposes of our risk assessment and planning, we have placed some assurance on the work undertaken in the 2021/22 audit because there have been no major changes to the IT system and processes in the 2022/23 financial year.</p> <p>No deficiencies were identified in the 2021/22 work. We will update this ITGC control findings on completion of the 2022/23 audit work at the Council.</p>				None identified at this stage.	None required at this stage.

**Assessment**

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

## 2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
<b>Matters in relation to fraud</b>	We have not been made aware of any material or other incidents in the period and no other issues have been identified during the course of our audit procedures.
<b>Matters in relation to related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed.
<b>Matters in relation to laws and regulations</b>	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
<b>Written representations</b>	A letter of representation will be requested from the Fund in conjunction with our final sign off of the Pension Fund accounts. We do not anticipate that any specific representations will be included in relation to particular areas of the accounts. We will agree a draft document with management for inclusion in the final Audit Findings Report.
<b>Audit evidence and explanations</b>	All information and explanations requested from management was provided.
<b>Confirmation requests from third parties</b>	We requested from management permission to send confirmation requests to the Fund's banking and investment management partners. This permission was granted, and the requests were sent. All the requests were returned with positive confirmation.
<b>Accounting practices</b>	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.

## 2. Financial Statements: other communication requirements



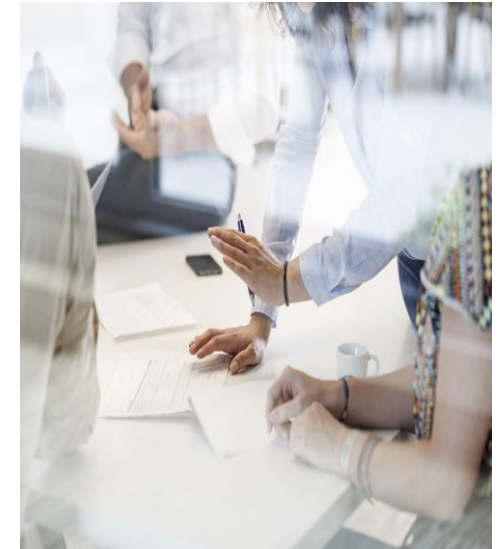
### Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> <li>for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting.</li> </ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>the nature of the Pension Fund and the environment in which it operates</li> <li>the Pension Fund's financial reporting framework</li> <li>the Pension Fund's system of internal control for identifying events or conditions relevant to going concern</li> <li>management's going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude, at this stage, that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified</li> <li>management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul> <p>However, our assessment of this consideration will remain ongoing until the final audit report is issued.</p>

## 2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>The Pension Fund is administered by West Northamptonshire Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements. We are required to read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.</p> <p><b>As the Council's financial statements are not published at this stage, we have not completed this work.</b></p>
Matters on which we report by exception	<p>We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We are required to report if we have applied any of our statutory powers or duties as outlined in the Code.</p> <p><b>As the Council's audited financial statements are not published at this stage, we have not completed this work. We propose to issue our 'consistency' opinion on the Pension Fund's Annual Report on publication of the Council's audited financial statements.</b></p>





# 3. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix E.

## Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

# 3. Independence and ethics

## Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. No non-audit services were identified which were charged from the beginning of the financial year to October 2023, as well as the threats to our independence and safeguards that have been applied to mitigate these threats. Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards.

Service	Fees £	Threats identified	Safeguards
<b>Audit related</b>			
IAS 19 Assurance letters for Admitted Bodies	£6,000 and £1,100 per audit letter*	Self-interest (because of the recurring fee).	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work will be small in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors. All services have been approved by the Pensions Committee. None of the services provided are subject to contingent fees.

*\*Please note – due to delayed starts to administering authority and other Northamptonshire Local Government audits we have not yet received any requests from employer engagement teams. We will report the final level of IAS 19 fees within the updated version of the AFR to coincide with final sign off of the financial statements.*

# 3. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Pension Fund that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Pension Fund held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Pension Fund as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Pension Fund.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Pension Fund's board, senior management or staff that would exceed the threshold set in the Ethical Standard.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

# Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments
- G. Management Letter of Representation
- H. Audit opinion

# A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

## Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

## B. Action Plan – Audit of Financial Statements

We have identified two recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
	<p>We have identified an instance of a self-authorized journal being posted within the financial year which is not in line with the Fund's controls for recording journal entries. This represents a segregation of duties issue as the posting of journals without appropriate oversight leads a higher risk of fraudulent journal entries impacting the financial statements.</p> <p>To address the risk, we have gained assurance that the journal in question was appropriate. We have also extended our testing of journals to gain assurance that this was an isolated instance.</p>	<p>Management should ensure that procedures are followed and that journals are authorised before posting to avoid segregation of duties risks.</p> <p><b>Management response</b></p> <p>Management have accepted the recommendation and informed the relevant teams that journals should not be self-authorized.</p>
	<p>Administrative access to Altair was allocated to user who has operational and financial responsibilities. The combination of operational and financial responsibilities with the ability to administer end-user security is considered a segregation of duties conflict.</p> <p>To address the risk, we have undertaken further work on journals posted by the user to identify any high risk or unusual financial audit relevant activity with a potentially material impact. No issues identified.</p>	<p>Management should ensure that IT user responsibilities are monitored and reviewed to avoid segregation of duties risks.</p> <p><b>Management response</b></p> <p>Management have accepted the recommendation. Access for the 'business user' has now been restricted to view only.</p>

### Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

# C. Follow up of prior year recommendations

We identified the following issues in the audit of Northamptonshire Pension Fund Pension Fund's 2021/22 financial statements, which resulted in one recommendation being reported in our 2021/22 Audit Findings Report. We are pleased to report that management have implemented our recommendation.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>During the course of the audit, we noted some delays in receipt of declarations of interest from members of the Pensions Committee and others with a governance link to the Fund. It is important to ensure that these returns are received and reviewed promptly to prevent the possible omission of disclosure of a previously unidentified related party which may alter the understanding of readers of the accounts.</p> <p>The Fund should work proactively with partners within the administering authority and other stakeholders to ensure that all returns are received and reviewed promptly.</p>	<p>Management sent requests out earlier this year (12<sup>th</sup> December) to allow plenty of time to manage the process.</p> <p>The audit team did not identify any issues with missing declarations of interest in 2022/23.</p>

## Assessment

Action completed

Not yet addressed

# D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net assets for the year ending 31 March 2023.

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000
As described earlier in the report, some of the Fund's hard to value assets are valued on a time lag basis, with the value in the accounts reflecting an investor statement balance prior to the balance sheet date adjusted for known cash movements. Following audit procedures, we were able to quantify this timing variance as £7.6m. In our view, this does not constitute a control weakness at the Fund as management's process for calculating the estimate has not resulted in a material misstatement.	(7.6m)	£7.6m	£7.6m
<b>Overall impact</b>	<b>(7.6m)</b>	<b>7.6m</b>	<b>7.6m</b>



# D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Per the draft accounts, capital commitments were understated by £40m (draft figure £115.1m, actual £155.1m) due to a transposition error. This is a disclosure issue only and has no impact on the Fund's financial position.	Disclosure should be amended. <b>Management response</b> Disclosure has been amended.	✓
Prior year values for the actuarial present value of promised retirement benefits have been updated to reflect the 2022 Triennial valuation. The figures are consistent with the prior year draft accounts.	Disclosure should be updated to reflect the 2022 triennial valuation. <b>Management response</b> Disclosure has been amended.	✓
Audit procedures noted that the ACCESS Pool asset disclosure was overstated by £1bn (draft figure £60bn, actual £59bn) due to a rounding error.	Disclosure should be amended. <b>Management response</b> Disclosure has been amended.	✓
Audit procedures noted that the draft accounts do not include a disclosure of the audit fee, which is required by the Code.	Disclosure should be added. <b>Management response</b> Disclosure has been amended.	✓
Minor narrative amendments and formatting changes, including updating hyperlinks.	Amendments should be made. <b>Management response</b> Disclosure has been amended.	✓

## D. Audit Adjustments (continued)

### Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements. As all assets are revalued as at 31 March 2023 this is not a continuing unadjusted misstatement that impacts upon the 2022/23 financial statements.

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
Some of the Fund's hard to value assets are valued on a time lag basis, with the value in the accounts reflecting an investor statement balance prior to the balance sheet date adjusted for known cash movements. Following audit procedures, we were able to quantify this timing variance as £8.5m. In our view, this does not constitute a control weakness at the Fund as management's process for calculating the estimate has not resulted in a material misstatements.	(8.5m)	8.5m	8.5m	Not material.
<b>Overall impact</b>	<b>(8.5m)</b>	<b>8.5m</b>	<b>8.5m</b>	

# E. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee
Scale Fee	55,250
IAS 19 letters for employer body auditors, including testing of 31 March 2022 triennial review *	TBC**
Work on triennial valuation member data *	3,000
<b>Total audit fees (excluding VAT)</b>	<b>58,250 (known element)</b>

\*Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards. Provision of IAS 19 assurances to auditors of any other type of entity remains non-Code work.

\*\*Due to delayed starts to administering authority and other Northamptonshire Local Government audits we have not yet received any requests from employer engagement teams. We will report the final level of IAS 19 fees within the updated version of the AFR to coincide with final sign off of the financial statements.

The fees reconcile to the financial statements.

None of the above services were provided on a contingent fee basis. This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

# F. Auditing developments

## Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

**This impacts audits of financial statement for periods commencing on or after 15 December 2021.**

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> <li>the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures</li> <li>the identification and extent of work effort needed for indirect and direct controls in the system of internal control</li> <li>the controls for which design and implementation needs to be assess and how that impacts sampling</li> <li>the considerations for using automated tools and techniques.</li> </ul>
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> <li>increased emphasis on the exercise of professional judgement and professional scepticism</li> <li>an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence</li> <li>increased guidance on management and auditor bias</li> <li>additional focus on the authenticity of information used as audit evidence</li> <li>a focus on response to inquiries that appear implausible</li> </ul>
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none"> <li>Consideration is also being given to the potential impacts on confidentiality and independence.</li> </ul>
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> <li>clarification of the requirements relating to understanding fraud risk factors</li> <li>additional communications with management or those charged with governance</li> </ul>
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.



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**West Northamptonshire Council**

**Local Pension Board**

**25/1/2024**

**Mark Whitby – Head of Pensions**

<b>Report Title</b>	<b>Northamptonshire Pension Fund – Administration Performance Report for the period 1 October to 31 December 2023</b>
<b>Report Author</b>	<b>Michelle Oakensen</b> <b>Governance and Regulations Manager</b> <a href="mailto:michelle.oakensen@westnorthants.gov.uk">michelle.oakensen@westnorthants.gov.uk</a>

**Contributors/Checkers/Approvers**

<b>Head of Pensions</b>	Mark Whitby	13/1/2024
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**List of Appendices**

**Appendix A – Performance against key performance indicators.**

**Appendix B – Development of Key Performance Indicators during 2023/2024.**

**Appendix C – Timeliness of receipt of employee and employer pension contributions.**

**Appendix D – Details of late contribution payments – exempt.**

**1. Purpose of Report**

1.1. To present to the Pension Board a report on the administrative performance of the Northamptonshire Pension Fund.

**2. Executive Summary**

2.1 This report sets out the performance of the Northamptonshire Pension Fund.

2.2 The achievement against the Key Performance Indicators for the period 1 October to 31 December 2023 is detailed in section 5.1.1 and appendix A. The majority of KPIs were met over the period.

2.3 The development of key performance indicators is detailed in section 5.1.2 and appendix B.

2.4 Timeliness of receipt of employee and employer pension contributions for the payroll periods of December 2022 to November 2023 is detailed in section 5.2 and appendices C & D. 99.9% of contribution payments were on time for the period.

2.5 Occurrences of breaches of the law for the period 1 October to 31 December 2023 are detailed in section 5.3. There were no material breaches in the period.

2.6 Details of any Internal Dispute Resolution Procedure cases during the period 1 October to 31 December 2023 are detailed in section 5.4. There was one stage 1 administering authority dispute and no employer disputes during the period.

2.7 There were no material data breaches for the period as stated in section 5.5.

- 2.8 There was one significant overpayment identified and detailed in section 5.6.
- 2.9 Details of admissions and cessations of the Northamptonshire Pension Fund and updates on previous cessations are detailed in section 5.7.

### **3. Recommendations**

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- 3.1 The Pension Board is asked to note the contents of the report.

### **4. Report Background**

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- 4.1 One of the core functions of the Pension Board is to ensure the effective and efficient governance and administration of the Northamptonshire Pension Fund. This report demonstrates a number of key areas of administration performance for consideration by the Pension Board.

### **5. Issues and Choices**

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#### **5.1 Key Performance Indicators**

##### **5.1.1 Pension Service performance against Key Performance Indicators**

- 5.1.1.1 The Fund has in place a set of key performance indicators (KPIs) to assess the performance of the Pensions Service in the delivery of key items of casework. The actual performance against these KPIs for the period 1 October to 31 December 2023 can be found in appendix A along with the explanations for any underperformance.
- 5.1.1.2 Over the 3-month period, 7 of the 21 KPI targets have not been met.
- 5.1.1.3 Targets were missed for the payment of pension benefits from deferred membership, providing an estimate of benefits and for the payment of retirement benefits from active employment across October, November and December due to ongoing training at team leader level and the impact of the McCloud remedy creating additional workloads. In addition, in December there was also a high level of sickness within the team.
- 5.1.1.4 Performance is expected to improve once the training requirements reduce at team leader level as skills and experience are embedded within the team. The medium to long term plan is to increase multi skilling to help with service resilience across teams.
- 5.1.1.5 In addition, from January 2024 the payment of retirement benefits from active employment target has increased to 10 working days (from 5 working days) as agreed by the Pension Committee, this will also alleviate pressure in this area going forwards.
- 5.1.1.6 In November a target was missed on providing a transfer in quote to scheme members in 2 cases, one was due to the notification being sent late and the other was delayed at the checking stage. These issues have been picked up within the team to prevent recurrence.

##### **5.1.2 Development of the Pension Service Key Performance Indicators**

- 5.1.2.1 New and supplementary KPIs continue to be developed to measure the overall customer journey as approved by the Committee in March 2023 and presented to the Board in April 2023.
- 5.1.2.2 The majority of areas are now being reported with ongoing development for the calculation and notification of dependent benefits and the notification following a pension sharing order.
- 5.1.2.3 The analysis of the reporting is continuing to be developed to ensure the Service can take a proactive approach where possible in resolving any employer data issues.
- 5.1.2.4 The development of the KPIs to date can be found in appendix B.



## 5.2 Receipt of employee and employer contributions

- 5.2.1 Scheme employers have a statutory obligation to arrange for the correct deduction of employee and employer contributions and to ensure payment reaches the Pension Fund by the 19th of the month following the month of deduction. Providing an associated monthly statement/schedule in an acceptable format.
- 5.2.2 The table in appendix C shows the percentage of employers in the Northamptonshire Pension Fund who paid their employee and employer contributions and/or submitted their schedules on time or late for the payroll periods 1 November 2022 to 31 October 2023.
- 5.2.3 For September and October 100% of payments were received on time. For November 99.7% of payments were received on time. The current yearly average for payments made on time is 99.9% and schedules being received on time is 99.6%.
- 5.2.4 Details of late contribution payments can be found in appendix D (exempt).

## 5.3 Breaches of the Law

- 5.3.1 There are many laws relating to the Local Government Pension Scheme, with various individuals, including the Pension Committee and Local Pension both (collectively and as individuals) having a statutory duty to report material breaches of those laws to the Regulator. The Northamptonshire Pension Fund maintains a record of both material breaches that are reported to the Pensions Regulator as well breaches that are deemed not to be of material significance and so are not reported to the Pensions Regulator.
- 5.3.2 For the period 1 October 2023 to 31 December 2023 the following breaches of the law occurred.

Type of breach	Detail of breach	Course of action
Material	None	None
Non-material	11 refund of contribution payments were paid outside of the statutory 5-year period.	No further action at this stage, it is likely that the legislation surrounding this will be amended to remove the 5-year requirement.
	Missed statutory targets against Key Performance Indicators.	Issues will be addressed within the Service and with employers as appropriate. Further details can be found in Appendix C.

## 5.4 Internal Dispute Resolution Procedure cases

- 5.4.1 Members, prospective members, and beneficiaries may not always agree with pension decisions that are made or may be unhappy that decisions have not been made, by either an administering authority or a scheme employer. The Internal Dispute Resolution Procedure (IDRP) is the route by which they may raise their concerns and challenge such decisions.
- 5.4.2 Disputes that are upheld at stage 1 may still progress to stage 2 if the scheme member or their representative remains unsatisfied with the overall outcome. The outcome may not fully meet the complainant's expectations – particularly if their perception is that their financial loss was greater than any compensation awarded, or the level of non-financial injustice award was not consistent with their expectation.
- 5.4.3 The following tables details that activity undertaken during the period 1 October 2023 to 31 December 2023 with regards to administering authority disputes.

5.4.4 Stage 1 disputes:

Nature of Stage 1 Dispute (Head of Pensions)	Date received	Date Decision Due	Decision: Upheld/not upheld/partially upheld	Date of Decision
Challenging the refusal to allow a refund of contributions or a one-off lump to be paid to a member.	23/11/2023	22/01/2024		On-going

5.4.5 One stage two application was received but this was referred back from the Monitoring Officer for a further response to the stage 1 determination. The further response was issued on 11 December 2023.

5.4.6 In the period 1 October to 31 December 2023 no new employing authority disputes were raised and/or responded.

5.5 Material Data Breaches

5.5.1 None.

5.6 Significant overpayment of pension

5.6.1 In November 2023, an overpayment of £26,775.06 occurred due to a retirement entitlement being paid early. The cause of the overpayment was due to conflicting dates as to when the member wished to claim their benefits from.

5.6.2 An invoice has been raised to recover the original lump sum payment with the actual retirement benefits to be recalculated from 25 January.

5.7 Employers Admissions and Cessations

5.7.1 The following employer has entered the Northamptonshire Pension Fund as an admitted body:

- Innovate Services

5.7.2 The following employer has entered the Northamptonshire Pension Fund as a resolution body:

- Kingsthorpe Parish Council

5.7.3 The following body has ceased to be an employer within the Northamptonshire Pension Fund:

- Pathfinder Legal Services

5.7.4 When an employer ceases to participate in the Fund, the Regulations require the administering authority to obtain a valuation of the assets and liabilities attributed to that employer to determine if there is a funding surplus or deficit. If a deficit exists, the employer must pay an exit payment to the Fund equal to the value of the deficit. If a surplus exists, the administering authority must make a determination of the amount of exit credit (which could be zero) should be paid to the exiting employer.

- 5.7.5 The cessation of Voice for Victims was originally reported at the June 2023 meeting of the Pension Fund Committee. Following an exit credit determination, as required by, and considering the factors listed under section 64 (2ZC) of the Regulations, the Administering Authority has determined that the amount of exit credit payable to Voice for Victims was nil.
- 5.7.6 The cessation of Wellingborough Norse was originally reported at the June 2023 meeting of the Pension Fund Committee. Following an exit credit determination, as required by, and considering the factors listed under section 64 (2ZC) of the Regulations, the Administering Authority has determined that the amount of exit credit payable to Wellingborough Norse was nil.

## 6 Implications (including financial implications)

### 6.1 Resources and Financial

- 6.1.1 Aon conducted the Key Performance Indicator review.

### 6.2 Legal

- 6.2.1 There are no legal implications arising from the proposals.

### 6.3 Risk

- 6.3.1 The mitigated risks associated with this report has been captured in the Fund's risk register as detailed below -

Risk	Residual risk rating
Information may not be provided to stakeholders as required.	Green
Those charged with governance are unable to fulfil their responsibilities effectively	Green
Failure to provide relevant information to the Pension Fund Committee/Pension Board to enable informed decision making	Green

- 6.3.2 The executive summary can be found on the Fund's website at the following link:  
[Northamptonshire Risk Register](#)

### 6.4 Relevant Pension Fund Objectives

- 6.4.1 The following objectives as per the Business Plan have been considered in this report -
- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
  - To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
  - To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
  - To continually monitor and measure clearly articulated objectives through business planning.
  - To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
  - To put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary.
  - To administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration.

- 6.5 Consultation**
- 6.5.1 Not applicable.

Appendix A – Pension Service Administration Key Performance Indicators – October, November & December 2023

Function/Task	Indicator	Target	Month	Completed	Within Target	Over Target	% Within Target	RAG	Comments
Notify leavers of deferred benefit entitlement.	Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information.	90%	October November December	155 166 103	153 158 95	2 8 8	99 95 92	Green Green Green	SLA target met SLA target met SLA target met
Payment of retirement benefits from active employment.	Notify employees retiring from active membership of benefits award, from date payable or date of receiving all necessary information if later within 5 working days.	95%	October November December	35 40 17	21 36 14	14 4 3	60 90 82	Red Amber Red	SLA target not met* SLA target not met* SLA target not met*
Payment of pension benefits from deferred membership status.	Notify members retiring from deferred membership status of benefits award, from date payable or date of receiving all necessary information if later within 10 working days.	90%	October November December	68 95 48	48 86 45	20 9 3	71 91 94	Red Green Green	SLA target not met* SLA target met SLA target met
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	October November December	26 38 30	25 37 30	1 1 0	96 97 100	Green Green Green	SLA target met SLA target met SLA target met
Provide a maximum of one estimate of benefits to employees per request.	Estimate in agreed format provided within 10 working days from receipt of all information.	80%	October November December	23 21 15	15 14 12	8 7 3	65 67 80	Red Red Green	SLA target not met* SLA target not met* SLA target met

Appendix A – Pension Service Administration Key Performance Indicators – October, November & December 2023

Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	October	23	23	0	100	Green	SLA target met
			November	19	17	2	89	Amber	SLA target not met**
			December	29	29	0	100	Green	SLA target met
Payment of transfer out.	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	October	13	12	1	92	Green	SLA target met
			November	44	43	1	98	Green	SLA target met
			December	47	46	1	98	Green	SLA target met

\* Payment of retirement benefits from active employment/payment of pension benefits from deferred membership status/provide a maximum of one estimate of benefits to employees per year on request – across October, November and December targets were missed due to ongoing training at team leader level and the impact of the McCloud remedy creating additional workloads. In addition, in December there was a high level of sickness across both Team Leader and Pension Officer levels.

Performance is expected to improve once the training requirements reduce at team leader level and skills and experience are embedded within the team. The medium to long term plan is to increase multi skilling to help with service resilience across teams.

The payment of retirement benefits from active employment target is 10 working days from January 2024 as agreed by the Pension Committee, this will also alleviate pressure in this area going forwards.

\*\* Provide transfer-in quote to scheme member – For November the target was missed on 2 cases, one was due to the notification being sent late and the other was delayed at the checking stage. The issues have been picked up within the team.

Green: Equal to or above Service Level Agreement (SLA) target.

Amber: Below SLA target, but number completed within target is within 10% of the SLA target.

Red: Below SLA target and number completed within target is not within 10% of the SLA target.



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Appendix B – Customer Journey Key Performance Indicators (statutory) for the Period 1 July to 31 December 2023

Function/Task	Indicator	Month	% Within Target	Comments
Provide basic scheme information to new joiners.	2 months from date of joining or member’s request.	July August September October November December	60 75 77 89 38 69	The Pension Service is 100% within target for meeting the SLA of 2 months from the record being created on Altair which is dependent upon the receipt of the employer i-connect file.
Provide transfer details for transfer in.	2 months from date of request.	July August September October November December	61 73 77 55 37 46	<p>Analysis has not been carried out but reasons why the cases would not be completed within the statutory target are:</p> <ul style="list-style-type: none"> <li>• Interfund in - Further information is required from the previous LGPS pension fund &amp; volume of cases in this area.</li> <li>• Transfer in – Further information is required from the member, the previous scheme, or the employer.</li> </ul> <p>An investigation into whether automated reporting can be developed to carry out the analysis required without any manual intervention is currently being undertaken.</p>
Provide details of transfer value for transfer out.	3 months from date of request.	July August September October November December	84 91 76 100 97 67	<p>Analysis has not been carried out but reasons why the cases would not be completed within the statutory target are:</p> <ul style="list-style-type: none"> <li>• Interfund out - Further information is required from the employer prior to finalising the deferred benefit and the volume of cases in this area.</li> <li>• Transfer out – Further information is required from the employer prior to finalising the deferred benefit.</li> </ul> <p>Low volumes of transfer out cases also affects the performance, for December 13 cases were processed with 2 missing the target.</p>
Provide a CETV quotation for divorce purposes.	Within 3 months of the request (or shorter deadline as specified in a court order).	July August September October November December	100 100 100 95 67 100	Cases were not within the statutory target in October and November as a result of a backlog in checking being cleared in these months. The backlog was created from the clearance of cases that were on hold as a result of the GAD factor changes.

Appendix B – Customer Journey Key Performance Indicators (statutory) for the Period 1 July to 31 December 2023

Function/Task	Indicator	Month	% Within Target	Comments
Inform members who leave the scheme before retirement age of their rights and options.	As soon as practical and no more than 2 months of leaving.	November	87	<p>An automated process is in place for when leaver information is received from employers for issuing members with their rights and options and as such, any delays with the notification being issued would be a result of late notification from the employer unless there was a system failure. The letter is issued after the second i-connect file is received to allow for any corrections such as a member starting a new employment from the following day.</p> <p>For November, 24 employers (consisting of 51 members) submitted data late. The results will be analysed internally to identify any patterns and raised accordingly.</p>
Inform members who leave the scheme at or after retirement age of the benefits due.	Within 2 months of retirement date where the member <b>retires before</b> normal pension age.			<p>Multiple factors contribute to the member experience for this indicator, this includes the type of information required (e.g. leavers details, certificates, forms) and the party responsible for supplying the information (employer, payroll provider, member). There is also the processing time required for the administrator to issue the award once all the information is received.</p> <p>Reporting is being developed to provide a detailed analysis of the cases that do not meet this target and to identify the underlying causes to why the target is missed. This will then enable us to tackle the root causes</p>
Inform members who leave the scheme at or after retirement age of the benefits due.	Within 1 month of retirement date where the member <b>retires on or after normal pension age.</b>			<p>Multiple factors contribute to the member experience for this indicator, this includes the type of information required (e.g. leavers details, certificates, forms) and the party responsible for supplying the information (employer, payroll provider, member). There is also the processing time required for the administrator to issue the award once all the information is received.</p> <p>Reporting is being developed to provide a detailed analysis of the cases that do not meet this target and to identify the underlying causes to why the target is missed. This will then enable us to tackle the root causes.</p>

Appendix B – Customer Journey Key Performance Indicators (statutory) for the Period 1 July to 31 December 2023

Function/Task	Indicator	Month	% Within Target	Comments
Calculate and notify dependant(s) of amount of death benefits.	As soon as possible, but in any event no more than 2 months of date or becoming aware of death.			A new death process is due to be created to enable reporting on this KPI. This is not currently possible as a separate case is set up on the member and the dependant.
Notify implementation information after receiving a pension sharing order (and no outstanding information)	Within 21 days of the later of, the date of receipt of the pension sharing order or the day on which the order takes affect or the date of receipt of the relevant documents / information.			This KPI still needs to be developed for the small number of cases that are completed in a year.

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Appendix C – Timeliness of payment of scheme employer and member pension contributions

Month/Year	% of Employers Paid on Time	% of Employers Paid Late	% of Employers that Submitted Schedule on Time	% of Employers that Submitted Schedule Late
December 2022	100	0	100	0
January 2023	100	0	99.5	0.5
February 2023	100	0	99.5	0.5
March 2023	99.4	0.6	100	0
April 2023	100	0	99.3	0.7
May 2023	100	0	100	0
June 2023	100	0	99.7	0.3
July 2023	100	0	97.9	2.1*
August 2023	100	0	100	0
September 2023	100	0	100	0
October 2023	100	0	100	0
November 2023	99.7	0.3	99.0	1
Average for period	99.9	0.1	99.6	0.4

\*Higher than expected number of schedules submitted late for July due to an academy trust changing payroll providers.

Appendix C – Timeliness of payment of scheme employer and member pension contributions

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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**West Northamptonshire Council**

**Local Pension Board**

**25 January 2024**

**Mark Whitby – Head of Pensions**

<b>Report Title</b>	Northamptonshire Pension Fund Business Plan and Medium-Term Strategy Business Plan Update report
<b>Report Author</b>	Michelle Oakensen Governance and Regulations Manager <a href="mailto:michelle.oakensen@westnorthants.gov.uk">michelle.oakensen@westnorthants.gov.uk</a>

**Contributors/Checkers/Approvers**

<b>Head of Pensions</b>	Mark Whitby	15/01/2024
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**List of Appendices**

Appendix A –Variances against the forecast of investments and administration expenses based on original setting of assumptions.

Appendix B – Northamptonshire Pension Fund Climate Action Plan

**1. Purpose of Report**

1.1 Good governance requires that updates to the pre-agreed Annual Business Plan and Medium-Term Strategy are provided to the Committee and Board on a regular basis. This update highlights the progress made on the key activities for the period.

**2. Executive Summary**

2.1 The Northamptonshire Pension Fund have for many years considered it good governance to have in place a Business Plan and Medium-Term Strategy that is agreed annually and regularly monitored by the Committee and Board.

2.2 The report summarises the progress made on each activity for the period under review.

2.3 Section 6 of this report provides a progress update for each business plan activity. The table below provides an overview of the RAG status of each activity.

Paragraph	Activity	RAG status
6.1	Re-tender for benefits and governance consultancy services.	Green
6.2	Re-tender for actuarial consultancy services.	Green
6.3	Re-tender for legal services provider.	Green
6.4	Re-tender for pensions administration and pensioner payroll platform.	Green
6.5	Address and mortality screening Services.	Green
6.6	Review and implement changes required from the Pension Regulator's new Code of Practice.	Green
6.7	Continue to review cyber resilience.	Green
6.8	Implement the best practice recommendations of the good governance review.	Green
6.9	Review the administrative performance of the Fund's additional voluntary contribution providers.	Green
6.10	Complete the Guaranteed Minimum Pension Rectification.	Amber
6.11	Application of the McCloud age discrimination remedy.	Amber
6.12	Prepare for the implementation of Pension Dashboards.	Green
6.13	Processing of undecided leaver records.	Amber
6.14	Continue development of the ACCESS asset pool.	Green
6.15	Continue activities within the Fund's Climate Action Plan.	Green
6.16	Implement the revised Investment Strategy.	Green
6.17	Implement recommendations from the review of the website and digital communications.	Amber
6.18	Implement equality, diversity and inclusion (EDI) best practices.	Green
6.19	Review of investment consultancy contract.	Green

2.4 The tables in appendix A provide an update of the Fund account, investment and administration income and expenditure against the cash flow projection outlined in the Annual Business Plan as agreed by the Pension Committee in March 2023. There are no material variances identified.

2.5 The link to the full Business Plan approved by the Committee in March 2023 is provided in section 7 for full context and reference.

### 3. Recommendation

3.1 The Board is asked to note the Business Plan Update.

### 4. Reasons for Recommendation

- To ensure adequate oversight of the key activities of the Northamptonshire Pension Fund.
- To ensure good governance and compliance with the Local Government Pension Scheme Regulations and other relevant legislation and guidance.

## 5. Report Background

- 5.1 The Pension Committee approved the Business Plan and Medium-Term Strategy 2023/24 on 29 March 2023.

## 6. Progress against business plan activities

### Procurement of Services

#### 6.1 Re-tender for benefits and governance consultancy services

- 6.1.1 Activity: To re-tender for the supplier of benefits and governance consultancy services currently with Aon due to expire 31 March 2024.

#### 6.1.2 Key milestones:

Key Milestones	Dates	On target for completion?
Register to access national LGPS Frameworks.	May 2023.	Completed.
Draft specification of services required an associated documentation.	June – July 2023.	Completed.
Issue invitation to tender to suppliers on the Framework.	September 2023.	Completed.
Evaluate tender responses.	October - November 2023.	Completed.
Award contract.	January 2024.	Completed.

- 6.1.3 Update: The award was issued to Hymans Robertson on 1 December and the standstill period concluded on 11 December. Legal services have been instructed to complete the necessary contract documentation. The contract start date is 1 April 2024.

#### 6.2 Re-tender for actuarial consultancy services

- 6.2.1 Activity: To re-tender for the supplier of actuarial services currently with Hymans Robertson due to expire 31 March 2024.

#### 6.2.2 Key milestones:

Key Milestones	Dates	On target for completion?
Register to access national LGPS Frameworks.	May 2023.	Completed.
Draft specification of services required and associated documentation.	June – July 2023.	Completed.
Issue invitation to tender to suppliers on the Framework.	October 2023.	Completed.
Evaluate Tender responses.	December 2023.	In progress.
Clarification interview/presentation	January 2024	On target
Award Contract.	February 2024.	On target.

6.2.3 Update: Initial scoring has been completed and bidders have been invited to provide a clarification presentation on 12 January. A verbal update will be provided at the meeting.

6.3 Re-tender for legal services provider

6.3.1 Activity: To re-tender for the supplier of legal services currently with Squire Patten Boggs due to expire 31 March 2024.

6.3.2 Key milestones:

Key Milestones	Dates	On target for completion?
Register to access national LGPS Frameworks.	July 2023.	Completed.
Draft specification of services required an associated documentation.	July – August 2023.	Completed.
Issue invitation to tender to suppliers on the Framework.	September 2023.	Completed.
Evaluate tender responses.	October - November 2023.	Completed.
Award contract.	December 2023.	Completed.

6.3.3 Update: The invitation to further competition documentation was published in October with prospective bidders invited to submit responses by the end of November. The evaluation of responses was concluded in November following the scoring and moderation process the contract was awarded to the incumbent supplier, Squire Patton and Boggs.

6.4 Re-tender for pensions administration and pensioner payroll platform

6.4.1 Activity: To re-tender for pensions administration and pensioner payroll platform currently with Heywood that is due to cease in September 2024.

6.4.2 Key milestones:

Key Milestones	Dates	On target for completion?
Invitation to Further Competition exercise using National LGPS Frameworks.	April - June 2023.	Completed.
Evaluation and award.	July - September 2023.	Completed.
Year 0 transitional period.	October 2023 - September 2024.	Not applicable
Go Live.	1 October 2024.	On target.

6.4.3 Update: Invitation to further competition was published 24 April 2023 with a closing date for responses of 19 June 2023. All suppliers on the framework submitted a bid and following the scoring and moderation process the contract was awarded to the incumbent supplier, Heywood Pension Technologies.

6.5 Review address and mortality screening services

6.5.1 Activity: The current contract for address tracing and mortality screening ceases in June 2023 with no ability to extend.

Following the 12-month extension of the contract a long-term approach is now required from June 2024 onwards.

6.5.2 Key milestones:

Key Milestones	Dates	On target for completion?
Develop a contract to enable the continuation of services past June 2023 (with the assistance of legal services).	April - May 2023.	Completed.
Both parties to sign up to new contract on existing terms.	May 2023.	Completed.
Seek agreement to extend the contract with the current supplier from June 2024 to 31 March 2025.	February 2024.	On target.
Review new LGPS Framework offerings and internal Fraud Hub options.	Rescheduled to 2024/25 (the Framework is now due to be released in April 2024).	This activity will feature in the 2024/25 Business Plan.
Develop approach for procurement of address and mortality screening services.	TBC.	This activity will feature in the 2024/25 Business Plan.

6.5.3 Update: The delay of the LGPS National Framework for Member Data Services from December 2023 to April 2024 has meant that there will be inadequate time to comprehensively review options before the current contract expires in June 2024. The activity has therefore been rescheduled and will feature in the 2024/25 Business Plan (subject to agreement).

Core governance activities

6.6 Review and implement changes required from the Pension Regulator's new Code of Practice

6.6.1 Activity: In March 2021 the Pensions Regulator launched a consultation on its revised code of practice for the pensions industry. The responses to the consultation have taken the Pensions Regulator longer than expected to digest and as such the new code of practice was expected to come into force early 2023. Once the code of practice is in force, the Fund will have six months to achieve full compliance with its contents.

6.6.2 Key milestones:

Key Milestones	Dates	On target for completion?
Develop an action plan of changes required on launch of code of practice.	TBC.	This activity will feature in the 2024/25 Business Plan due to the late release of the Code .
Present action plan to the Pension Fund Committee and Pension Board.	TBC.	This activity will feature in the 2024/25 Business Plan due to the late release of the Code .

Present update on progress on action plan to the Pension Fund Committee and Pension Board.	TBC.	This activity will feature in the 2024/25 Business Plan due to the late release of the Code .
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6.6.3 Update: The General Code of Practice is now due to be released at the end of March 2024 and funds will have 6 months to become fully compliant. This activity will therefore now feature in the 2024/25 Business Plan.

6.7 Continue to review cyber resilience

6.7.1 Activity: Cyber-crime will continue to evolve and become increasingly sophisticated and as such this area will be regularly reviewed and monitored. The cyber action plan will be updated as and when necessary.

6.7.2 Key milestones

Key Milestones	Dates	On target for completion?
Ongoing monitoring and development of the cyber strategy and action plan via the Business Plan Updates at each meeting of the Pension Committee and Pension Board.	April 2023 – March 2024.	On target.

6.7.3 Update: A separate report on Cyber Resilience is being presented at this meeting.

6.8 Implement the best practice recommendations of the good governance review

6.8.1 Activity: Following consultation with LGPS stakeholders, in February 2021, a number of recommendations for improvement were identified. Some would require the input of DLUHC to amend scheme regulations and publish statutory guidance, others by SAB and others for Funds to implement as best practice. The standards are due to be issued in 2023.

6.8.2 Key milestones:

Key Milestones	Dates	On target for completion?
Develop an action plan to implement the best practice activities.	TBC.	This activity will feature in the 2024/25 Business Plan as the standards have not been released.
Present update on progress on action plan to the Pension Fund Committee and Pension Board.	TBC.	This activity will feature in the 2024/25 Business Plan as the standards have not been released.
Implementation of activities requiring SAB and DLUHC guidance.	TBC.	This activity will feature in the 2024/25 Business

		Plan as the standards have not been released.
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6.8.3 Update: As the standards have not materialised to date the activities will now feature in the 2024/25 Business Plan.

6.9 Review the administrative performance of the Fund’s additional voluntary contribution providers

6.9.1 Activity: The administrative performance of Prudential began to deteriorate in mid-2020 and in February 2022, Prudential’s performance had still not improved. Aon was commissioned to undertake a further review of both Standard Life and Prudential’s administrative performance in October 2022. The decision was to review again in a further 12 months and to include investment performance.

6.9.2 Key milestones:

Key Milestones	Dates	On target for completion?
Present to the Pension Committee the findings of the independent review alongside any recommendations for action (the timing of this will depend on the co-operation of the AVC providers in providing the necessary information for analysis by Aon.	October 2023.	Completed.

6.9.3 Update: The findings of the AVC review were presented to the Pension Committee in October and the Local Pension Board in November. Actions have been identified as part of the review which are already underway.

Scheme member and data projects

6.10 Complete the Guaranteed Minimum Pension Rectification

6.10.1 Activity: To complete the rectification stage for scheme members, making adjustments to pensions in payment where necessary.

6.10.2 Key milestones:

Key Milestones	Dates	On target for completion?
Manual rectification of outstanding records.	April 2023 – March 2024.	Estimated completion date Q1 2024-25.

6.10.3 Update: As at 30 September, 31% of cases have been completed. As the project was running several weeks ahead of schedule, resources were temporarily diverted to processing of undecided leavers activity (6.13) until 1 January 2024 when resources were returned to this activity. The project is estimated to conclude by 30 June 2024.

6.11 Application of the McCloud age discrimination remedy

6.11.1 Activity: The pension records of scheme members within scope of the McCloud ruling will be rectified following the implementation of the age discrimination remedy, expected via amendment to legislation on 1st October 2023.

6.11.2 Key milestones:

Key Milestones	Dates	On target for completion?
Respond to DLUHC consultation on draft regulations (delayed from 2022 and still pending release).	June 2023.	Completed.
Devise communication plan for members and scheme employers.	September 2023 (rescheduled from May 2023).	Completed.
Undertake scheme member record preparations to identify members in scope of remedy in readiness for the application of the underpin.	April 2023 – September 2023.	Completed.
Application of the revised underpin following release of amended LGPS Regulations.	October 2023 onwards.	Ongoing.

6.11.3 Update: The Fund’s administration system is largely applying the underpin as expected. There will be some continued development in this area where issues are identified. In the meantime, there will be elements of manual intervention to ensure there is no detriment to members or backlogs accruing.

McCloud web pages have been created for members and employers, which link through to centrally produced McCloud resources and wording provided by the LGA has been inserted into existing letters for cases from 1 October 2023 where the underpin applies. Disclosure requirements were met ahead of the 31 December 2023 deadline via the most appropriate method for particular tranches of members including emails, letters, Member Self-Service and the Pension Service website

A draft version of the ‘McCloud prioritisation policy’ was circulated by LGA on behalf of DLUHC on 12 October with the intention to release the final version early 2024. Officers will review the draft policy ahead of the release date and start preparations where possible. Administrator guidance was published by the Local Government Pensions Committee on 15 November 2023.

## 6.12 Prepare for the implementation of Pension Dashboards

6.12.1 Activity: In the 2016 Budget, the Government made a commitment that Pension Dashboards would be created by the pensions industry, enabling pension savers to view details of all their pensions together.

The activity will be updated following the DWP announcement to reset the Pension Dashboard Programme and the delay to connection deadlines.



### 6.12.2 Key milestones:

Key Milestones	Dates	On target for completion?
Continue to work with the pensions administration software supplier to connect to a Pensions Dashboard by revised deadline which is TBC.	TBC following project reset.	TBC once DLUHC issue staging guidance.
Undertake project plan activities to enable connection to the Dashboard including data cleansing activities.	TBC.	TBC once DLUHC issue staging guidance.
Connect to the Dashboard.	31 October 2026	On target.
Pension Dashboard Go Live.	TBC.	TBC.

6.12.3 Update: A staging timetable will be set out in connection guidance and is due to be released late 2023. The staging timetable will indicate when schemes are scheduled to connect, based on their size and type. The table will be updated when the guidance is published to ensure the Fund is compliant with the new requirements. In the meantime, PASA has published value data guidance which provides schemes with good practice approaches to providing data to the dashboards.

### 6.13 Processing of undecided leaver records

6.13.1 Activity: To reduce the backlog by 2,500 cases per year for the next 2.5 years from a baseline of approximately 8,300 at March 2023.

#### 6.13.2 Key milestones:

Key Milestones	Dates	On target for completion?
Reduce aged cases by 2,500.	April 2023 – March 2024.	On target.
Reduce aged cases by 2,500.	April 2024 – March 2025.	On target.
Reduce aged cases to BAU baseline (<2,000).	April 2025 – September 2025.	On target.

6.13.3 Update: The baseline at April 2023 was just under 8,500 cases. As at 31 December the aged cases outstanding are down to 7,077, a drop of 1,396 cases (16.5%) from the revised April 2023 baseline.

### Investment related activities

#### 6.14 Continue development of the ACCESS asset pool

6.14.1 Activity: The ACCESS asset pool Authorised Contractual Scheme (ACS) sub-fund structure is now at a mature stage with ongoing developments prioritising completing the sub-fund pipeline and putting in place supplementary sub-funds as and when required. Other developments within the ACCESS pool include the non-listed work programme, Operator re-procurement, and the Phase II ESG/RI procurement.

6.14.2 Key milestones:

Key Milestones	Dates	On target for completion?
Development of ACS sub-fund pipeline.	April 2023 – October 2024.	On target.
Non-listed (property, infrastructure, private equity, private debt) programme development.	April 2023 – December 2024.	On target.
ESG/RI Phase II procurement and reporting developments.	April 2023 – March 2024.	On target.
Operator re-procurement.	April 2023 – March 2025.	On target.

6.14.3 Update: UK Core Real Estate Mandate has been awarded to CBRE. For the UK Alternative Building Blocks, Apex/ACCESS focus will be on impact investing, affordable housing and long lease investments. PIRC has been appointed as phase two advisor and had attended one RI/ESG group meeting.

6.15 Continue activities within the Fund’s Climate Action Plan

6.15.1 Activity: During 2023-24 the Fund will continue to focus on the milestone dates within the plan which are key to ensure the Fund is on the correct path to achieve “net-zero” carbon emissions by 2050 at the latest.

6.15.2 Key milestones:

Key Milestones	Dates	On target for completion?
To complete the activities against the Climate Action Plan	April 2023 to March 2024	On target.

6.15.3 Update: Implementation of the Climate Aware Passive equities has been completed and this has been reported to the Sept ISC (UBS Climate Aware and Osmosis). In May 2023 the Investment Sub Committee reviewed the progress against decarbonisation targets, adopted a new primary metric for monitoring progress against the existing decarbonisation targets and agreed to include Scope 3 emissions in the Fund’s target setting once reporting improves. In November 2023 the ISC received a positive progress update, with carbon intensity in connection with the Fund’s equity portfolio assessed as having reduced by circa 53.5% as at 30 June 2023 against a 2030 target of a 59% reduction.

6.16 Implement the revised Investment Strategy

6.16.1 Activity: A review of the Fund’s investment strategy was undertaken in March 2023 resulting in changes to its strategic asset allocation (SAA). Work will be undertaken throughout 2023-24 to implement these changes.

6.16.2 Key milestones:

Key Milestones	Dates	On target for completion?
Listed (UK) equity sales to fund increase in index-linked Gilts allocation.	June 2023.	Completed.
Consideration of preferred characteristics of new commitments for Infrastructure.	May 2023.	Completed.

Investment into M&G MAC fund following equity sales.	June 2023.	Completed.
Investment into long-lease property via ACCESS	Q1 2024.	On target.
Republish Investment Strategy	December 2023.	Completed.
Committee makes allocation decision in connection with long lease property.	Q4 2023	Completed.
Investment into timberland via ACCESS	Q1-Q2 2024.	On target.
Investment into BlueBay ESG MAC outside of ACCESS.	Q1 2024.	On target.

6.16.3 Update: Work has been processed to switch the segregated Index Linked Gilts to UBS pooled funds, expected to complete January 2024.

In August 2023, sales of UK Equity were used to fund a +2.5% increase in allocation to M&G Multi-Asset Credit, a further +2.5% due to be allocated to BlueBay MAC once the ESG MAC launched by the ACCESS. In November 2023, due to ongoing delays with the ESG MAC product launch within ACCESS (now January 2024), a decision was made in consultation with the S151 Officer to increase the BlueBay MAC allocation outside of ACCESS to match the Strategic Asset Allocation agreed by the Committee.

Following the ISC's decision to implement a 1% allocation to timberland, APEX is now scoping out a pooled offering, with a chosen supplier expected to be available by the end of 2024. For investments in UK long Lease Property, AVIVA has been approved Cambridgeshire ISC, and subscription procedures commenced in December 2023.

#### Communications

6.17 Implement recommendations from the review of the website and digital communications

6.17.1 Activity: A review of the Fund's websites was carried out in 2022/23, the review assessed whether the website was still fit for purpose in meeting the needs of stakeholders and explored alternative options including moving the hosting of the member related information pages away from our software supplier Heywood and hosting both member and employer pages internally on a single website.

Approval from the Pension Committee was granted to implement the recommendation from the review.

6.17.2 Key milestones:

Key Milestones	Dates	On target for completion?
Funding for the website development approved.	March 2023.	Completed.
Resources in place eg recruitment.	May 2023.	Completed.
High fidelity designs created.	August 2023.	Completed.
New website built.	March 2024.	On target.

6.17.3 Update: High fidelity designs partly based on the .gov.uk approach to web design have been created and user testing of the different options has begun. The project is currently and expected to remain within the agreed budget of £30,000. At the time of writing this report some recent resource issues mean that officers need to review the delivery plan with the project team. A meeting will be held between publication of this paper and the meeting of the Board. A verbal update will be given at the meeting.

6.18 Implement equality, diversity and inclusion (EDI) best practices

6.18.1 Activity: The Pensions Regulator has published guidance to help improve pension schemes’ equality, diversity and inclusion. Pension schemes have legal duties to scheme members, and good decision making is key to ensuring those duties are met. EDI supports robust discussion and effective decision making and is an important consideration for schemes. The Northamptonshire Pension Fund will be aiming to improve its equality, diversity and inclusion via these best practices.

6.18.2 Key milestones:

Key Milestones.	Dates.	On target for completion?
Fully review TPR guidance and produce an action plan, including delivery of relevant training.	October 2023– March 2024.	On target.

6.18.3 Update: The Pensions Regulator issued a survey to Board members in July 2023 with the intention to collect views on equality, diversity and inclusion. The responses were anonymised and used to improve EDI for pension scheme governing bodies. The next stage is to produce an action plan of the activities the Fund needs to undertake to improve EDI outcomes.

6.19 Review of investment consultancy contract

6.19.1 Activity: To consider an extension to the contract with the Fund’s Investment Consultant from the expiry date of September 2024.

6.19.2 Key Milestones:

Key Milestones	Dates	On target for completion?
For the Committee to consider an extension to the current contract by up to 3 years.	December 2023.	Complete.

6.19.3 Update: The Pension Committee has approved the extension of the Investment Consultant Contract for a full 3 years up to September 2027.

## 7. Implications (including financial implications)

### 7.1 Resources and Financial

7.1.1 The financial estimates and associated budgets included with the Business Plan and Medium-Term Strategy were approved by the Pension Committee on 29 March 2023.

7.1.2 Performance against the financial estimates in the Business Plan will be presented to the Pension Committee and Board each meeting. The Business Plan sets out the cost of each activity where known and where costs become known during the course of the year the Pension Committee and Board will be updated accordingly.

### 7.2 Legal

7.2.1 There are no legal implications arising from the proposals. All procurement undertaken has been in line with procurement legislation and procedures.

### 7.3 Risk

7.3.1 The mitigated risks associated with this report has been captured in the Fund's risk register as detailed below –

Risk	Residual risk rating
Those charged with the governance of the Fund and scheme are unable to fulfil their responsibilities effectively	Green
Pension Fund objectives are not defined and agreed.	Green
Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making.	Green

7.3.2 Please see the [Northamptonshire Pension Fund Risk Register Executive Summary](#).

#### 7.4 Relevant Pension Fund Objectives

7.4.1 The following objectives as per the Business Plan have been considered in this report -

- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- To continually monitor and measure clearly articulated objectives through business planning.
- To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.

#### 7.5 Consultation

7.5.1 Not applicable. The Business Plan is best practice to ensure the Fund is managed appropriately and transparently.

### 8. Background Papers

8.1 [Agenda for Pensions Fund Committee on Wednesday 29th March 2023, 4.00 pm - West Northamptonshire Council \(moderngov.co.uk\)](#)

Appendix A – Variances against the forecast of investments and administration expenses based on original setting of assumptions

Fund Account	2023/24 Budget	2023/24 Forecast	Variance	Comments
	£000	£000	£000	
Contributions	(117,000)	(121,000)	(4,000)	Contributions in line with current membership numbers
Transfers in from other pension funds	(10,500)	(20,000)	(9,500)	Demand led
<b>Total income</b>	<b>(127,500)</b>	<b>(141,000)</b>	<b>(13,500)</b>	
Benefits payable	118,000	117,000	(1,000)	Benefits in line with current membership numbers
Payments to and on account of leavers	10,000	14,700	4,700	Demand led
<b>Total Payments</b>	<b>128,000</b>	<b>131,700</b>	<b>3,700</b>	

<b>Net (additions)/withdrawals from dealings with members</b>	<b>500</b>	<b>(9,300)</b>	<b>(9,800)</b>	
Management Expenses (Invoiced)	4,078	4,056	(22)	See below
Management Expenses (Non-Invoiced)	13,100	12,100	(1,000)	Calculated using fees from prior year plus actuarial growth assumption on AUM at September 23 to March 24
<b>Total Management Expenses</b>	<b>17,178</b>	<b>16,156</b>	<b>(1,022)</b>	
<b>Total income less expenditure</b>	<b>17,678</b>	<b>6,856</b>	<b>(10,822)</b>	
Investment income	(31,000)	(32,200)	(1,200)	Actual income received to Q2 plus two estimated quarters
Taxes on income (profit) and losses on disposal of investments and changes in the market value of investments	- (138,000)	- (62,300)	- (75,700)	Actual Q2 return followed by actuarial long term growth assumption
Net return on investments	<b>(169,000)</b>	<b>(94,500)</b>	<b>74,500</b>	
Net (increase)/decrease in the net assets available for benefits during the year	<b>(151,322)</b>	<b>(87,644)</b>	<b>63,678</b>	

<b>Management Expenses</b>	<b>2023-24 Budget</b>	<b>2023-24 Forecast</b>	<b>Variance</b>	<b>Comments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
Total Administration Expenses	2,784	2,445	(339)	See below
Total Governance Expenses	814	888	74	Payroll for final IHLI termination account from 2021 - not included in 23/24 budget and underestimated consultancy costs for the implementation of the investment strategy

Total Investment Invoiced Expenses	480	723	243	New investment mandate with Osmosis
<b>Total Management Expenses</b>	<b>4,078</b>	<b>4,056</b>	<b>(22)</b>	



Administration Expenses Analysis	2023-24 Budget	2023-24 Forecast	Variance	Comments
	£000	£000	£000	
Staff Related	1,819	1,887	68	Budget based on estimated 23/24 pay rates, higher than expected pay awards received.
Altair administration and payroll system	397	370	(27)	Actual maintenance costs lower than expected.
Data assurance	21	25	4	A more proactive approach to address tracing has been undertaken in preparation for Dashboards.
Communications	51	48	(3)	
Other Non-Pay and Income	29	(352)	(381)	Bank interest received to date
County Council Overhead Recovery	467	467	-	
<b>Total Administration Expenses</b>	<b>2,784</b>	<b>2,445</b>	<b>(339)</b>	

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## **Northamptonshire Pension Fund - Climate Action Plan**

### **Calendar Year**

#### **Quarter 1 2022**

Agree decarbonisation pathway and targets that align the beliefs and ambitions of the Investment Sub Committee (ISC). The ISC agreed target reductions in absolute carbon emissions of the Fund's listed equity holdings of at least: <ul style="list-style-type: none"><li>• 23% from June 2021 baseline by 2024</li><li>• 57% from June 2021 baseline by 2030</li></ul>	✓
Communicate agreed targets and aspirations to investment managers	✓
Instruct advisers to investigate high level approaches to climate aware passive equity investing	✓
Publish Climate Action Plan	✓

#### **Quarter 2/3 2022**

ISC receive training on strategic options to decarbonise the Pension Fund's active equity portfolio, including setting targets for existing managers and considering sustainable and impact equity and/or UN Sustainable Development Goals (SDG) alignment	✓
ISC receive report on high level climate aware passive equity options	✓

#### **Quarter 3/4 2022**

Receive implementable proposal on carbon aware passive equity portfolio	✓
Prepare and publish reporting in line with the Task-Force on Climate-Related Financial Disclosures (TCFD) disclosure requirements for the 2021-22 Fund annual report	✓

### **2023**

#### **Quarter 1 2023**

Agree managers and portfolio structures for climate aware passive investing	✓
Analysis of climate metrics as at 30/06/22	✓

### **Quarter 2 2023**

Review progress against targets and appropriateness of metrics.	✓
Continue to engage with existing active equity managers around decarbonisation approaches - as required	✓
Engage with private asset managers to improve carbon data provision for portfolios and increased ESG integration	
Implement carbon aware passive equity in Q2 2023	✓
ISC consider proposals for impact investing in private markets - Infrastructure	✓

### **Quarter 3 2023**

Engage with ACCESS on sustainable/impact infrastructure managers (based on Committee preferences following Q2 2022 discussion)	✓
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### **Quarter 4 2023**

Analysis of climate metrics as at 30/06/23	✓
ISC consider proposals for sustainable/impact investing in listed equity as part of equity portfolio review	

### **2024**

#### **Quarter 1 2024**

ISC consider proposals for including asset classes beyond listed equity in climate reporting and target setting	
Consider setting more granular targets across: - Sustainable/Climate solutions - Transition alignment - Stewardship	
ISC receive report on availability of data and approach on alternatives assets	
ISC consider proposals for sustainable/impact investing in private markets (Private equity/property)	
Review progress against targets and appropriateness of metrics	
Consider draft UK Stewardship Report ahead of submission to FRC	
ISC consider feasibility of including Scope 3 within emissions reduction reporting and targets	

### **Quarter 2 2024**

Use insights and recommendations to shape discussions and support climate change reporting (TCFD) - awaiting outcomes of consultation	
Consider potential connections to biodiversity/natural capital	
Submit approved UK Stewardship Report to FRC	

### **Quarter 3 2024**

Continuation of the work with active managers to implement carbon reduction measures and increase the sustainability of the portfolios they manage	
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**West Northamptonshire Council**

**Local Pension Board**

**25/1/2024**

**Mark Whitby – Head of Pensions**

<b>Report Title</b>	Governance and Compliance Report
<b>Report Author</b>	Michelle Oakensen Governance and Regulations Manager <a href="mailto:michelle.oakensen@westnorthants.gov.uk">michelle.oakensen@westnorthants.gov.uk</a>

**Contributors/Checkers/Approvers**

<b>Head of Pensions</b>	Mark Whitby	15/1/2024
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**List of Appendices**

Appendix A Northamptonshire Pension Fund Training Plan

**1. Purpose of Report**

1.1 This is a standing report that identifies issues and developments relevant to West Northamptonshire Council’s management and administration of the Northamptonshire Pension Fund.

**2. Executive Summary**

2.1 This report provides the Board with information on the following significant current issues which have an impact on the governance, management and administration of the Northamptonshire Pension Fund.

- Pensions Dashboards (6.1)
- McCloud (6.2)
- Scheme Advisory Board (6.3)
- The Pensions Ombudsman (6.4)
- The Pensions Regulator (6.5)
- Skills and knowledge opportunities (6.6)

2.2 The report also provides details of immaterial amendments made to policies or strategies as a result of Officer reviews (6.7).

**3. Recommendation**

3.1 The Pension Local Pension Board is asked to note the Governance and Compliance Report.

#### **4. Reasons for Recommendation**

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- To ensure adequate oversight of the issues impacting the Northamptonshire Pension Fund.
- To ensure that the Committee and Board are aware of government consultations and responses provided.
- To comply with the CIPFA Skills and Knowledge Framework.
- To ensure good governance and compliance with the Local Government Pension Scheme Regulations and other relevant legislation and guidance.

#### **5. Report Background**

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- 5.1 This report provides an update on developments and issues that impact the LGPS that members of the Pension Board need to be aware of to fulfil their responsibilities to the Fund's key stakeholders.

#### **6. Issues and Choices**

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##### **6.1 Pensions Dashboards**

###### **6.1.1 Dashboards survey**

- 6.1.1.1 On 20 October 2023 the National LGPS Technical Group issued administering authorities with a Pensions Dashboards survey. The survey gathered information about the administering authorities' progress in implementing the Pensions Dashboards.

###### **6.1.2 Common questions on Pension Dashboards**

- 6.1.2.1 The Pensions Dashboards Programme published a blog addressing some of the common dashboard questions. The blog covers:

- How is connection guidance different to the connection deadline.
- When will guidance be published, and how will PDP engage with industry.
- Upcoming examples of how dashboards will look.

- 6.1.2.2 The blog can be found [here](#).

###### **6.1.3 National LGPS Technical Group – AVCs and dashboards**

- 6.1.3.1 At its meeting of 29 September 2023, the National LGPS Technical Group agreed to form a sub-group to look at AVCs and dashboards.

- 6.1.3.2 The sub-group will work with all LGPS AVC providers to establish common approaches on matching and providing value data.

- 6.1.3.3 The LGA will support the sub-group, which comprises representatives from software providers and administering authorities. Progress from the sub-group will be published in the National LGPS Technical Group minutes.

###### **6.1.4 The Pensions Regulator blog on the dashboard checklist**

- 6.1.4.1 The Pensions Regulator has published a blog encouraging schemes to follow their dashboard checklist.

- 6.1.4.2 The blog also warns schemes they need to start preparing for dashboards now, as it will take time and involve a lot of work. Schemes should not lose focus of this while they wait for their target connection dates.

- 6.1.4.3 The blog can be found [here](#).

- 6.1.4.4 Updated progress against the checklist for the Northamptonshire Pension Fund will be presented to the Committee in March 2024 and the Board in April 2024.



- 6.1.5 The Financial Reporting Council (FRC) consults on revising the Actuarial Standard Technical Memorandum (AS TM1)
- 6.1.5.1 On 3 November 2023 the FRC published a consultation to revise the AS TM1 to update the accumulation rate assumptions (used when estimating future money purchase pot values) within the guidance. The consultation closed on 4 December 2023.
- 6.1.5.2 AS TM1 is used in the calculation of statutory money purchase illustrations (SMPs). These are the pension illustrations used by LGPS AVC providers to project AVC estimated retirement income. It is the value data stated in SMPs Is that will be used to display on dashboards.
- 6.1.5.3 Administering authorities will need to understand AVC value data during their implementation of dashboards and once dashboards go live. More information can be found in the LGPS Pensions Dashboards connection guide.
- 6.1.5.4 The consultation can be found [here](#) and the connection guide can be found [here](#).
- 6.1.6 Integrated Service Provider (ISP) and Member Data Services – National LGPS Framework update.
- 6.1.6.1 The National LGPS Frameworks has implemented a variation to the existing framework for Pensions Administration Software to include integrated ISP services. Users who have appointed their software provider via this framework, or plan to use it before it expires in April 2025, are able to make use of the variation to incorporate ISP services within their contract.
- 6.1.6.2 It is also working with some authorities on a new framework for ISP and Member Data Services. This framework will include lots for ISP, address tracing, mortality screening, bank account verification and data quality reporting / dashboard readiness. It is due to launch in the first quarter of 2024.
- 6.1.7 LGPS Pensions Dashboards connection guide
- 6.1.7.1 On 6 November 2023, LGA emailed administering authorities letting them know the draft LGPS Pensions Dashboards connection guide has been published. A final version of the guide will be published when the Money and Pensions Service (MaPS) issues guidance on the staged timetable for connection and a final internal review has been undertaken.
- 6.1.7.2 The guide sets out the steps administering authorities need to take to connect to the dashboards ecosystem. It includes actions for authorities to take, decisions for them to make, statutory timings and recommendations on timings that are not prescribed. The non-prescribed timings will be revised when MaPS issue guidance on the staged timetable for connection.
- 6.1.8 Proposed staging date for public service pension schemes
- 6.1.8.1 On 28 November 2023, LGA emailed administering authorities letting them know the proposed staged connection date for public service pension schemes. This is not yet official government policy so can only be shared informally. The email also confirmed that Money and Pensions Service (MaPS) plan to publish the staged timetable for connection in Spring 2024.
- 6.2 McCloud
- 6.2.1 Consultation cases
- 6.2.1.1 The Department for Levelling Up, Housing and Communities (DLUHC) would like to know if administering authorities receive any applications for McCloud compensation.
- 6.2.1.2 For example, an authority might receive an application from a member who overpaid an annual allowance charge that HMRC will not refund.
- 6.2.1.3 Depersonalised details are required to be submitted to DLUHC as and when cases arise.
- 6.2.2 Dedicated areas of member websites
- 6.2.2.1 LGA have created new areas in the member websites dedicated to the McCloud remedy. The new pages include:
- a short video
  - frequently asked questions

- an interactive ‘Am I affected?’ tool
  - examples of how members might be affected
  - detailed information about how the remedy will affect different types of members
- 6.2.2.2 The Northamptonshire Pension Fund provides a link directly from its McCloud Remedy webpage to the LGA website, please see [here](#).
- 6.2.3 Initial prioritisation policy
- 6.2.3.1 On 12 October 2023, on behalf of DLUHC, LGA emailed administering authorities in England and Wales. The email included a link to DLUHC’s initial policy on how to prioritise cases affected by the McCloud remedy.
- 6.2.3.2 The policy is not yet final. They will be discussed with the McCloud statutory guidance working group. DLUHC will also consult on the policy before a final version is issued early next year.
- 6.2.4 Interfund transfers and the underpin
- 6.2.4.1 Certain transfers for members with underpin protection are on hold until the actuarial guidance for transfers is updated for the McCloud remedy. DLUHC confirm:
- administering authorities can continue paying interfund transfers for members with underpin protection using the methodology in the current actuarial guidance.
  - authorities will not need to review these payments when the guidance is updated.
- 6.2.4.2 The sending authority must make sure they provide the receiving authority with the information they need to perform accurate underpin calculations. The sending authority should have:
- loaded any hour changes and service breaks for the remedy period
  - validated that information, and
  - if the member is over age 65, supplied the provisional underpin amount, provisional assumed benefits and the underpin date.
- 6.2.4.3 It should not be necessary for the receiving authority to take any additional steps to verify the information they receive.
- 6.2.5 McCloud survey
- 6.2.5.1 On 20 October 2023 the National LGPS Technical Group, emailed administering authorities with a McCloud survey. The survey gathered information about administering authorities progress in implementing the McCloud remedy.
- 6.2.6 McCloud technical guide for administrators
- 6.2.6.1 On 15 November 2023, LGA emailed administering authorities letting them know that the first instalment of our McCloud technical guide for administrators had been published. The guide explains how the underpin protection works in the LGPS after the changes made because of the McCloud case. The guide is being released in instalments due to the breadth and complexity of the McCloud remedy project and because guidance is still awaited in some areas. The first instalment includes an overview, which pension accounts qualify for underpin protection, as well as how to perform provisional and final underpin calculations.
- 6.2.7 McCloud webinars for administrators
- 6.2.7.1 LGA ran free McCloud Zoom webinars for pension administrators in December 2023. The webinars lasted up to two hours and were held on Thursday 7 December and Wednesday 20 December.
- 6.2.7.2 The webinars provided an opportunity to ask LGA any questions about the McCloud technical guide or the McCloud remedy more generally. The questions asked will feed into the next version of the guide – where there may be gaps and where further explanation is needed.

## 6.2.8 Teachers' excess service – TPS communications

6.2.8.1 The Teachers' Pension Scheme (TPS) has issued its first communications to employers about the McCloud remedy for teachers with excess service. Administering authorities may start to receive queries from employers about this issue.

6.2.8.2 A teacher has excess service if they have a part time teaching post as well as a fulltime role. Unprotected teachers in this group will become retrospectively eligible for membership of the LGPS for the period from 1 April 2015 to 31 March 2022.

## 6.2.9 Templates for member correspondence and disclosure article

6.2.9.1 LGA are working with the Communications Working Group to produce templates for administering authorities to use to communicate with their members about the McCloud remedy. Authorities can find the initial draft on the L G P S administrator websites in the administrator guides.

6.2.9.2 The first draft includes paragraphs administering authorities can add to existing letters to members protected by the underpin from 1 October 2023:

- 'compulsory' retirement quote letter – where the retirement date is fixed, such as redundancy/efficiency retirement, ill health retirement or age 75 retirement
- 'optional' retirement quote letter – where the member is under age 75 and may choose to delay payment to a later date
- retirement estimates provided on the member's request
- deferred benefits calculation.

6.2.9.3 An article to inform members about the changes has also been produced. The article satisfies the requirements set out in the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013. Administering authorities must inform all members who might be affected by the changes as soon as possible and, in any event, by no later than 31 December 2023.

6.2.9.4 All disclosure requirements for the Northamptonshire Pension Fund were met by 14 December 2023.

## 6.3 Scheme Advisory Board

### 6.3.1 Academy conversions guidance

6.3.1.1 On 19 October 2023, the SAB published guidance on academy conversions. The guidance is published in response to a recommendation in the Section 13 Report on the 2019 fund valuations, produced by the Government Actuary's Department (GAD).

6.3.1.2 The guidance explains the common actuarial approaches LGPS administering authorities use when a local authority school converts to an academy. It was developed in a collaborative way by a working group. The group included representatives from GAD, the Department for Levelling Up, Housing and Communities (DLUHC), the Department for Education, fund practitioners, fund actuaries, academy school representatives and trade unions.

6.3.1.3 The guidance can be found [here](#).

### 6.3.2 Consultation on investment reforms – SAB and DLUHC responses

6.3.2.1 On 2 October 2023 the SAB published its full response to the investment consultation. The consultation contained proposals in a range of areas, including:

- setting a target date for the migration of all listed assets to pools
- a proposal to move to fewer pools - with a target size of £50 billion
- a requirement for funds to have a plan to invest up to 5 per cent of assets to support levelling up in the UK
- a proposal for funds and pools to dedicate 10 per cent of assets to private equity investments.

- 6.3.2.2 The Board's response was shaped by a working group comprising of councillors, scheme representatives and practitioners from the Board's membership, led by Board Chair, Cllr Roger Phillips.
- 6.3.2.3 On 22 November 2023, the Department for Levelling Up, Housing and Communities (D LUHC) published its response to the consultation on investment reforms. The response largely adopts the measures the Government originally consulted on.
- 6.3.2.4 The Government will now implement proposals to accelerate and expand pooling and increase investment in levelling up and private equity.  
It will do this by:
- setting out in revised investment strategy statement (ISS) guidance that funds should transfer all assets to their pool by 31 March 2025. Funds should also set out which assets are pooled, under pool management and not pooled and the rationale, value for money and date for review if not pooled
  - issuing revised pooling guidance to set out a preferred model of pooling including delegation of manager selection and strategy implementation
  - implementing a requirement in guidance for administering authorities to set a training policy for pensions committee members and to report against the policy
  - issuing revised guidance on annual reports to include:
    - a standard asset allocation and the proportion of assets pooled
    - a comparison between actual and strategic asset allocation
    - net savings from pooling
    - net returns for each asset class against their chosen benchmark.
  - making changes to LGPS official statistics to include a standard asset allocation and the proportion of assets pooled and the net savings of pooling
  - amending regulations to require funds to set a plan to invest up to 5 per cent of assets in levelling up the UK and to report annually on progress against the plan
  - issuing revised ISS guidance to require funds to consider investments to meet the Government's ambition of a 10 per cent allocation to private equity.
- 6.3.2.5 The Scheme Advisory Board and Department for Levelling Up, Housing and Communities responses can be found [here](#).

## 6.4 The Pensions Ombudsman

### 6.4.1 Court of Appeal rule TPO is not a competent court

6.4.1.1 The Court of Appeal has ruled in the case of 'The Pensions Ombudsman v CMG Pension Trustees Limited & Anor' the Pensions Ombudsman (TPO) is not a 'competent court' for the purposes of enforcing a dispute regarding a monetary obligation under section 91(6) of the Pensions Act 1995.

6.4.1.2 This could affect how overpayments are recouped and monetary obligations due to misconduct are recovered from pension benefits when there is a disagreement over the amount. A TPO decision that allows recoupment / recovery may not be enough for enforcement; an order from a county court or another competent court may be needed. TPO is currently reviewing its position and will provide an update in due course.

6.4.1.3 The determination can be found [here](#).

## 6.5 The Pensions Regulator

### 6.5.1 Governance and administration Survey 2022-23 results

6.5.1.1 TPR published the results of its survey on governance and administration practices among public service pension schemes on 27 November 2023.

6.5.1.2 The survey was carried out online from January to March 2023 and received responses from 191 of 204 public service pension schemes. The survey covered topics such as risk management, annual benefits statements, breaches of the law and dashboards. It also asked LGPS administering authorities about actions in relation to climate related risks and opportunities

6.5.1.3 A response was submitted for the Northamptonshire Pension Fund and the Chair of the Pension Board was consulted with prior.

6.5.1.4 The survey results can be found [here](#).

### 6.5.2 Cyber security guidance

6.5.2.1 The Pensions Regulator has revised its cyber security guidance. The guidance helps trustees and pension scheme managers meet their duties to assess risk, ensure controls are in place, and respond to incidents.

6.5.2.2 For the first time, the guidance asks pension schemes to report any significant cyber-related incidents to TPR on a voluntary basis as soon as is reasonably practicable. This will help TPR build a better picture of the cyber risk facing the industry and its members.

6.5.2.3 The guidance can be found [here](#).

### 6.5.3 General Code of Practice

6.5.3.1 The General Code of Practice was laid in Parliament on the 10 January. The General Code of Practice consolidates the previous 10 TPR codes into a single code. It also introduces new topics such as Cyber Security and Pension Scams.

6.5.3.2 The 5 main areas of the code are:

- The Governing body
- Funding and Investment
- Administration
- Communications and disclosure
- Reporting to TPR

6.5.3.3 The Code is expected to come into force on 27 March 2024 and the Northamptonshire Pension Fund will be ensuring compliance within the 6-month deadline.

## 6.6 Skills and knowledge opportunities

6.6.1 The Public Services Pensions Act 2013 and the Pensions Regulator's Code of Practice (Governance and administration of public service pension schemes) require all members of the Pension Board to maintain the necessary skills and knowledge to undertake their role effectively.

6.6.2 In addition, in order to facilitate the acquisition of skills and knowledge for members of the Pension Board, appendix A lists the main events that are deemed useful and appropriate.

6.6.3 If members of the Pension Board would like to attend any of the events listed in appendix A, please contact a member of the Fund's governance team who will make the necessary arrangements if an invitation has not already been sent.

6.6.4 The Training Strategy was approved at the July meeting of the Pension Committee and members have until 24 July 2024 to complete the mandatory training modules. Please find the Training Strategy [here](#).

6.7 Northamptonshire Pension Fund Policy/Strategy updates

6.7.1 In March 2023 the Pension Fund Committee agreed for all policies and strategies to be reviewed by the Committee on a three year cycle (unless stated otherwise) with Officer reviews to be conducted on an annual basis or as deemed necessary.

6.7.2 For the period the following non material amendments were applied:

Policy/Strategy	Review reason	Amendments made
Cyber Strategy	Officer annual review due.	1) Inserted a section on the roles and responsibilities relating to the Strategy and included delegated authority of the Committee. 2) Growing risk has been replaced with significant risk. 3) TPR Code of Practice references updated – due to be released early 2024. 4) Changed administering authority references to ‘Fund’ for consistency throughout the Strategy. 5) Added cyber security considerations to appointing or reappointing of advisors. 6) Incident response plan wording changed to reflect it is now in place.
Data Improvement Policy	Officer annual review due.	None.

**7. Implications (including financial implications)**

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7.1 Resources and Financial

7.1.1 There are no resources or financial implications arising from the report.

7.2 Legal

7.2.1 There are no legal implications directly arising from this “for information” report. Any legal implications arising from the issues discussed will be identified and highlighted at the appropriate time.

7.3 Risk

7.3.1 The Constitution Section 4.8 para 1.3 states that the Pension Committee has “Authority to develop and maintain a skills and knowledge framework for all Pension Committee and Investment sub-committee members and for all officers of the Fund including;

- (i) Determining the Fund’s knowledge and skills framework;
- (ii) Identifying training requirements;
- (iii) Developing training plans; and
- (iv) Monitoring attendance at training events.

- 7.3.2 This report ensures on-going compliance with the above and that the Pension Committee is up to date with:
- New or amending legislation affecting the LGPS;
  - Relevant activities of the LGPS Scheme Advisory Board and the Pensions Regulator that concern the governance of the (LGPS) on a national and local basis; and
  - Skills and knowledge opportunities.
- 7.3.3 The risks associated with the Pension Committee not having the required level of knowledge and understanding have been captured in the Fund’s risk register as detailed below.

Risk	Residual risk rating
Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively	Green
Failure to administer the scheme in line with regulations and guidance.	Green
Failure to provide relevant information to the Pension Fund Committee to enable informed decision making.	Green

The Fund’s full risk register can be found on the Fund’s website at the following link:  
[Northamptonshire Risk Register](#)

7.4 Relevant Pension Fund Objectives

- 7.4.1 The following objectives as per the Business Plan have been considered in this report –
- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
  - To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund’s stakeholders, particularly the scheme members and employers.
  - To ensure that the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
  - To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.

7.5 Consultation

- 7.5.1 The Fund is kept updated with developments and consultations via various sources such as the Local Government Association, The Pensions Regulator and Scheme Advisory Board. No consultation was required for this report.

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# Northamptonshire Pension Fund

## Appendix A

### Training plan 2024

Date	Training	Method of delivery	Delivered by	Target audience	Additional Information
<b>JANUARY</b>	Governance Conference	Conference – hybrid	Local Government Association (LGA)	Committee, Board & Officer	18-19 January 2024 (online/York)
<b>FEBRUARY</b>					
<b>MARCH</b>	LGC Investment Seminar	Conference	Local Government Chronicle (LGC)	Committee, Board & Officers	14-15 March 2024 <a href="https://www.lgcplus.com">LGC Investment Seminar 2024 (lgcplus.com)</a>
<b>APRIL</b>					
<b>MAY</b>					
<b>JUNE</b>	Local Authority Conference 2024	Conference – face to face	Pension and Lifetime Savings Association (PLSA)	Committee, Board & Officer	11-13 June 2024 <a href="https://www.plsa.org.uk">Local Authority Conference   PLSA</a>
<b>JULY</b>	Equality, Diversity and Inclusion (EDI)	TBC	TBC	Committee, Board & Officers	TBC
<b>AUGUST</b>					
<b>SEPTEMBER</b>	Investment and Pensions Summit	TBC	Local Government Chronicle (LGC)	Committee, Board & Officer	TBC
<b>OCTOBER</b>					
<b>NOVEMBER</b>	Investor Day	TBC	Waystone	Committee & Officer	TBC

# Northamptonshire Pension Fund

## Appendix A

Date	Training	Method of delivery	Delivered by	Target audience	Additional Information
DECEMBER	Annual Conference 2024	TBC	Local Authority Pension Fund Forum (LAPFF)	Committee, Board & Officer	TBC



## West Northamptonshire Council

### Pension Fund Board

25 January 2024

### Mark Whitby – Head of Pensions

<b>Report Title</b>	<b>Northamptonshire Administration Strategy</b>
<b>Report Author</b>	Cory Blose, Employer Services and Communications Manager. Tel – 07990560829 E-mail – cory.blose@westnorthants.gov.uk

#### Contributors/Checkers/Approvers

<b>Head of Pensions</b>	Mark Whitby	3/1/2024
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#### List of Appendices

**Appendix A – Current Administration Strategy**

**Appendix B – Draft amended Administration Strategy**

#### **1. Purpose of Report**

1.1. To present the Board with a copy of the amended Administration strategy for pre-scrutiny.

#### **2. Executive Summary**

2.1 The Administration strategy is a key document for the Fund setting out a framework for administering the Fund by outlining the policies and performance standards to be achieved by the administering authority and scheme employer.

2.2 The strategy has been completely re-written and this report summaries each section of the strategy and any changes made to them.

2.3 The strategy will be presented to the Committee at its March meeting where they will be asked to approve the strategy for consultation with employers.

#### **3. Recommendation**

3.1 That the Pension Board review the draft administration strategy and provide any comments before final approval by the Pensions Committee.

#### **4. Reasons for Recommendation**

4.1 To ensure the administration strategy remains relevant and reflects both current legislation and practice.

## **5. Report Background**

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- 5.1 The administration strategy sets out a framework for administering the Fund by outlining the policies and performance standards to be achieved by the administering authority and scheme employers to enable the provision of a cost-effective and high-quality pension administration service.
- 5.2 The Local Government Pension Scheme Regulations 2013 (“the Regulations”) states that administering authorities may prepare, maintain and publish a written statement setting out their policy concerning administration matters and that if an administering authority does so, the administering authority and its scheme employers must comply with the requirements and standards set out in the strategy, when carrying out their functions.
- 5.3 The Regulations also require that the administering authority should consult with scheme employers when preparing or reviewing its administration strategy.
- 5.4 The Administration Strategy has been reviewed by officers with support from the Fund’s Governance and Benefit consultations Aon.
- 5.5 Following the review, the administration strategy has been completely re-structured and re-written where required to bring the strategy up to date with current policies and practices.
- 5.6 The strategy also now includes sections on digital administration, particularly the use of i-Connect to collect membership data, and details the Fund’s escalation policy.
- 5.7 The Board is asked to review the document and provide comments ahead of approval by the Pensions Committee.

## **6 Issues and Choices**

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### Changes to the existing policy

- 6.1 The strategy has been completely restructured and re-written where appropriate following review and guidance provided by Aon. The changes to each section of the document are summarised as follows:

### Regulatory Framework

- 6.2 The references to relevant overriding legislation have been rewritten to provide more detail on the regulatory framework underpinning the strategy including direct reference to the relevant overriding legislation.

### Aims and Objectives

- 6.3 This section has been updated to ensure they key Fund objectives met by the policy reflect changes since the last strategy review and to also include the specific aims of the strategy itself.
- 6.4 This new list of specific aims for the strategy will allow officers to better review the effectiveness of the strategy against desired outcomes at future reviews.

### Key Risks

- 6.5 This is a new section included highlighting key risks to achieving the aims of the strategy and relevant Fund objectives.

### Delivery of Administration

- 6.6 This section replaces the section previously titled “Delivering the objectives” and has been expanded.

- 6.7 Due to the joint administration arrangements in place for administering the Fund background detail has been included about the governance and operational structure of the Fund.
- 6.8 The subsection titled “Liaison and communication with scheme employers” has been re-written to emphasise the importance of a partnership style approach to the relationship between the Administering Authority and scheme employers and summarising the key responsibilities of each in facilitating this approach.

#### Digital Administration

- 6.9 This is a new section added to the strategy to reflect the Fund’s “digital by default” approach to administration.
- 6.10 The focus of this section is providing overview of the use of i-Connect to collect membership data and the expectations around the monthly submission of data.
- 6.11 This section also reduces the deadline for the submission of i-Connect from 10 working days after the end of the calendar month to 7 working days.
- 6.12 The reason for this change is to ensure that statutory obligations of both scheme employers and the Administering Authority can be met in all months. A review of the i-connect process against statutory deadlines identified a risk that in certain circumstances the current i-connect deadlines could lead to an employer failing to meet their statutory obligations.
- 6.13 For example, employers have 6 weeks under automatic enrolment legislation to inform the Fund of any new starters and the Fund has 2 months to provide any new starters with information about the scheme. If a new starter is enrolled into the scheme on the 1<sup>st</sup> of the month, the current deadline carries a risk that the employer would miss this 6 week deadline in certain months if submitting their i-connect data on the 10<sup>th</sup> working day after the month’s end.
- 6.14 The current deadline also means that in cases with a start date early in the month, officers only have 2 weeks in which to process the record and send a welcome pack to the new member by the statutory deadline. If there are any queries on the information received, it is likely that the deadline would be missed. The new 7 working day deadline should ensure that the statutory deadlines can be met every month.
- 6.15 The earlier deadline will also help improve the member experience in other areas such as non-retiring leavers, allowing officers to process cases earlier than under current arrangements.
- 6.16 This section also provides a short summary of actions that members can complete digitally using their online pension account as well as reassuring members that they can opt out of digital communications if they wish to do so.

#### Administering Authority and Scheme employer responsibilities

- 6.17 These sections have been added following advice from Aon to improve transparency and ensure that the responsibilities of the Administering Authority and scheme employers are set out clearly and understood by all stakeholders.

#### Data queries

- 6.18 This is a new sub-section added to highlight the importance of resolving data queries and setting out expectations for scheme employers. The escalation process to be used by officers when dealing with queries has also been set out in appendix D to the strategy to manage expectations and increase transparency.

### Performance standards

- 6.19 This section has been updated to put emphasis on the Fund's focus on providing a good customer experience for our members and to expand on the methods that will be used to ensure compliance. The additional methods include:
- Reporting of persistent poor performance by an employer to the Pension Fund Committee and where appropriate the Pensions Regulator
  - Recovery of any additional costs incurred due to the poor performance of a scheme employer.

### Working with our Scheme employers – Improving administration

- 6.20 This section has been expanded to provide more detail and transparency on the methods that officers will use to try and assist employers and improve performance where necessary.
- 6.21 The key addition to this section is reference to the escalation process that will be used to resolve any issues with employer performance with more details provided in appendix D.
- 6.22 To ensure the emphasis is on working with scheme employers and ensure that the recovery of costs is seen as a method of last resort, the detail on the circumstances where the Administering Authority would seek to recover costs and sample the schedule of charges has been moved to appendix E.

### Appendix A – Member Experience Performance Standards

- 6.23 Appendix A has been amended to focus on key performance indicators for measuring member experience. This previously detailed expectations of the expected performance of a particular task or function including both employer and administering authority actions within that task or function. These targets did not specifically consider the member experience from start to finish of a particular task or function.
- 6.24 This new table considers the entire member experience from start to finish and includes details of the legal requirement for completion of particular tasks or functions that the Fund will monitor. It also sets out the expectations for both the employer and administering authority actions within that task or function followed by an overall target.
- 6.25 The overall target will generally be the same as legal requirement but may be less where appropriate. The overall target may not equal the sum of both the employer and administering authority targets reflecting the fact that other dependencies may exist. E.g. reliance on information from the member and/or other external parties.

### Appendix B – Performance standards relating to scheme employers

- 6.26 Appendix B sets out the performance standards expected from scheme employers. The wording has been updated to reflect current practice or language used and where necessary, the expected performance level has been updated to reflect current best practice or requirements to ensure statutory obligations can be met.

### Appendix C – Performance standards relating to the Administering Authority

- 6.27 Appendix C sets out the performance standards expected from the Administering Authority. The wording has been updated to reflect current practice or language used and where necessary, the expected performance level has been updated to those more recently approved by the Pension Fund Committee.

### Appendix D – Escalation Process

- 6.28 Appendix D sets out the escalation process to be used for three processes:
- monthly submission of membership data via i-Connect

- responding to individual queries for time-critical case-work
- responding to bulk queries usually resulting from cyclical processes or project work

6.29 These escalation processes set out what actions will be undertaken and the response time expected from the employer at each stage of the process.

Appendix E – Circumstances where costs might be recovered

6.30 Appendix E sets out the circumstances where costs may be recovered and provides an illustrative schedule of charges for such scenarios. This is largely unchanged from the previous version with some updates to reflect current practices such as monthly data collection using i-Connect and removing reference to annual data collection.

**7 Implications (including financial implications)**

**7.1 Resources and Financial**

7.1.1 There are no resources or financial implications arising from the recommendations.

**7.2 Legal**

7.2.1 There are no legal implications arising from this report.

**7.3 Risk**

7.3.1 The mitigated risks associated with this report has been captured in the Fund’s risk register as detailed below -

Risk	Residual risk rating
Incorrect/poor quality data held on the Pension Administration and Payroll platforms or delays with receiving information leading to incorrect information/delayed provision of information to members and stakeholders	Amber
Lack of understanding of employer responsibilities which could result in statutory and non-statutory deadlines being missed	Green
Failure to administer the scheme in line with regulations and guidance.	Green

**7.4 Relevant Pension Fund Objectives**

7.4.1 The following objectives have been considered in this report -

- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund’s stakeholders, particularly the scheme members and employers.
- To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
- To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
- To put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary.
- To administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration.

- To maintain accurate records and ensure data is protected and used for authorised purposes only.
- To provide scheme members with up-to-date information about the scheme in order that they can make informed decisions about their benefits.
- To seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.

## **7.5 Consultation**

7.5.1 The Fund's Governance and Benefits advisor Aon was consulted as part of this review.



# **NORTHAMPTONSHIRE PENSION FUND**

## **ADMINISTRATION STRATEGY**

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## 1. Introduction

This document is the Administration Strategy of Northamptonshire Local Government Pension Fund managed by Northamptonshire County Council respectively (the administering authority).

The aim of this strategy is to set out clearly what is expected from the administering authority and the Fund's employers, in order to deliver a high quality, value for money service to scheme members.

## 2. Administration Strategy

This version of the Administration Strategy was reviewed and agreed by the Pension Fund Committee on 11 December 2020. It will be reviewed periodically to ensure the strategic objectives remain relevant.

A separate Business Plan including actions in relation to administration matters is produced and published annually. This outlines how the administering authority intends to deliver this strategy, including how we achieve our objectives, the measurements we have in place to monitor our success and a timetable of events.

### Regulatory framework

This strategy has been produced in accordance with Regulation 59 of the Local Government Pension Scheme Regulations 2013. The Regulations provide that administering authorities may prepare, maintain and publish a written statement setting out their policy concerning administration matters, and that the administering authority and its employing authorities must then have regard to that strategy when carrying out their functions.

The Regulations also require that the administering authority should consult with its employing authorities (and any other persons it considers appropriate) in preparing or reviewing its administration strategy.

In addition, regulation 70 allows an administering authority to recover additional costs from a scheme employer where, in its opinion, they are directly related to the poor performance of that scheme employer. Where this situation arises the administering authority is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

This Administration Strategy therefore sets out the information as required by the Regulations mentioned above.

Nothing in this strategy overrides the legal responsibilities of any parties, for example the statutory requirement<sup>1</sup> to notify the Pension Regulator in the event of a material breach of the law.

### Key objectives

This strategy has been developed to help the Fund meet the following objectives:

- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.

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<sup>1</sup> Under section 70 of the Pensions Act 2004

- To put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary.
- To administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration.
- To maintain accurate records and ensure data is protected and used for authorised purposes only.
- To ensure cash flows in to and out of the Fund are timely and of the correct amount.

## Delivering the Objectives

### Procedures for liaison and communication with employers and other stakeholders

The delivery of a high quality administration service is not the responsibility of just the administering authority, but depends on the joint working of the administering authority with a number of individuals in different organisations to ensure scheme members, and other interested parties, receive the level of service in line with the Fund's objectives as well as ensuring that statutory requirements are met.

In particular, the administering authority relies on employers to provide them with the appropriate information to maintain accurate records and pay accurate benefits. The Fund acknowledges that this is a partnership arrangement, underlined by strongly targeted performance measures, as shown below:

- Providing a named contact (and deputy) at the Fund for all employer communications and queries
- Providing clear instructions and forms/interfaces to allow seamless transfer of information by employers
- Provide information within the performance standards outlined in this Strategy
- Ensure all information provided is correct by having an appropriate quality review process in place

In return, the employers within the Fund are expected to:

- Provide a named contact (and deputy) at the employer for all Fund communications and queries. Where multiple contacts are provided (for different duties) name one person who is ultimately responsible for ensuring the employer carries out their roles and responsibilities.
- Provide information to the Fund as outlined in instructions using the Fund's approved forms and/or interfaces
- Aim to provide information within the performance standards outlined in this Strategy
- Ensure all information provided is correct by having appropriate quality review in place

Full details of the procedures for liaison and communication between the Fund and its stakeholders are included within the Fund's communication strategy.

## **Performance Standards**

The Fund will ensure that all functions/tasks are carried out to the agreed quality standards. In order to comply with both the Regulatory requirements and the Fund's objectives, the administering authority aims to achieve a high quality administration service and timeliness of performance. Strong review of performance measures will determine this.

### **Procedures for ensuring compliance with statutory requirements and measuring levels of performance**

Various means will be employed, as determined from time to time, to assist in monitoring compliance with this Administration Strategy.

Methods may include:

- Internal/External Audit review of processes and internal controls
- Performance monitoring against administering authority tasks noted in Appendix C.
- Performance monitoring of the scheme employers against Appendix B.
- Compare performance against other Administering Authorities by using CIPFA Pensions Benchmarking club
- The Fund's scheme employer liaison function will offer the following services:
  - The opportunity for a biennial review meeting between a representative of the administering authority and the scheme employer to monitor and review performance against targets, the quality of information exchange and ensure compliance with statutory obligations.
  - Seminars and training sessions, including webinars, on the most pertinent issues affecting Fund members and employers
  - A scheme employer Forum will be held, at least on an annual basis
  - A scheme employer Helpdesk is available from 9am to 5pm during normal working days to answer queries by telephone or email.

## **Improving Administration**

Using the means mentioned above, the Fund will monitor progress against this strategy. This information is reported to the Fund's Pension Committee and Pension Board alongside any remedial action taken where the expected standards are not being met. In addition, key performance indicators relating to the Fund and its employers' performance will be reported in its Annual Report and Accounts.

### **Circumstances where the administering authority may levy costs associated with the employing authorities poor performance**

Regulation 70 of the Local Government Pension Scheme Regulations 2013 provides that an administering authority may recover from an employing authority any additional costs associated with the administration of the scheme incurred as a result of the poor level of performance of that employing authority. Where an administering authority wishes to recover any such additional costs they must give written notice stating:

- The reasons in their opinion that the scheme employer's poor performance contributed to the additional cost;
- The amount of the additional cost incurred;
- The basis on how the additional cost was calculated; and
- The provisions of the pension administration strategy relevant to the decision to give notice.
- In instances where the performance of the scheme employer results in fines being levied against the administering authority by the Pension Regulator, Pensions Ombudsman or other regulatory body, these costs will be recoverable immediately.

### **Circumstances where costs might be recovered**

It is the policy of the Fund to recover additional costs incurred in the administration of the Scheme as a direct result of the unsatisfactory level of performance of any scheme employer.

The circumstances where such additional costs will be recovered from the scheme employer are:

- failure to provide relevant information to the Fund, scheme member or other interested party in accordance with specified performance targets in this Administration Strategy (either as a result of timeliness of delivery or quality of information)
- failure to pass relevant information to the scheme member or potential members, either due to poor quality of information or not meeting the agreed timescales outlined in the performance targets in this Administration Strategy
- failure to deduct and pay over correct employee and employer contributions to the Fund within the stated timescales
- Instances where the performance of the scheme employer results in fines being levied against the Fund by the Pensions Regulator, Pensions Ombudsman or other regulatory body.
- Instances where an act or failure to act by an employer results in an unauthorised payment under the Finance Act 2004 which results in the Fund being subject to a tax liability.
- Instances where an act or failure of a scheme employer results in a benefit being incorrectly awarded and the subsequent overpayment is not able to be recovered from the scheme member.

The approach by the Fund when such instances occur is as follows:

1. Write to the employer noting the Fund's areas of concern regarding the employer's performance and offer training or a meeting to address the issue.

Note that some performance standards are expressed as a percentage less than 100%. This recognises that for certain, often high volume, work there may be legitimate reasons why 100% compliance with a target is not possible. For these categories the target is measured monthly in order to highlight areas of potential concern.

- 2a. If no improvement is made within one month of the above date, or where the matter in question is not a regular event and no improvement is made at the next occasion that that same matter occurs, **and the offer of training or a meeting has not been accepted**, the Fund will issue a formal written notice. The notice will set out the area(s) of concern that have been identified, the steps taken to resolve those area(s) and notice that the additional costs will now be reclaimed.

**OR**

- 2b. If no improvements is made from one month following either a training session or a meeting with the scheme employer, or where the matter in question is not a regular event and no improvement is made at the next occasion that that matter occurs following the training or meeting, the Fund will issue a formal written notice. The notice will set out the area(s) of concern that have been identified, the steps taken to resolve those area(s) and notice that the additional costs will now be reclaimed.

3. An invoice will then be issued to the scheme employer which sets out calculations of any loss resulting to the Fund, or additional cost, taking account of time and resources in resolving the specific area(s) of unsatisfactory performance, in accordance with the fee scale set out in this document.

4. All instances of additional costs recharges will be presented to the Pension Committee and Pension Board.

All communications will be directed to our most senior contact within a scheme employer organisation from the beginning of this process. In the case of poor performance by a third party HR/payroll supplier, the relevant scheme employer will be informed of action being taken from the outset of the process.

**Any costs recovered will be paid into the Pension Fund to reduce the administration cost to all scheme employers in the Fund.**

#### Illustrative additional administration costs

Based on the Fund's experience of dealing with late or inaccurate information, we have been able to make accurate estimates of the amount of additional resource required in order to remedy the problems this causes. The costs below reflect the additional resource required to chase information and correct inaccurate data. They also reflect the fact that having to re-run calculations multiple times as a result of poor data presents an opportunity cost as staff would be otherwise more productively engaged.

Note that any further costs incurred as the result of non-payment of invoiced additional costs will also be passed on to the relevant scheme employer.



As such the fees shown below are illustrative and may be higher (or lower) if individual circumstances are atypical.

<b>Employer Scheme Function/Administration process</b>	<b>Description</b>	<b>Illustrative</b>
<b>Monthly contribution pay over</b>	<p>Late payment of employee, employer and additional pension contributions (APC/ARC/Added years) to the Fund by the 19<sup>th</sup> of the month following deduction.</p> <p>No schedule of payments sent and received by the Fund</p>	<p>£80 if no interest charge</p> <p>Additional £100 if interest needs to be calculated</p> <p>Interest payable at prevailing rate if payment more than 30 days late: £80</p>
<b>New active member</b>	<p>Scheme employer has not notified the Fund within 10 working days of the relevant calendar month end</p>	<p>£50 per notification</p> <p>A further £30 for each month the notification is outstanding</p>
<b>Leavers (non-retirement)</b>	<p>Scheme employer has not notified the Fund of any leaver.</p> <p>The late or non-provision of a leaver form.</p> <p>Poor data detailed on the form, in particular inaccurate pay details.</p>	<p>£50 per notification</p> <p>A further £30 for each month the notification is outstanding</p>
<b>Retirement</b>	<p>Scheme employer has not notified the administering authority that a member is due to retire within 10 working days before date of leaving.</p> <p>Non-provision of retirement form, poor data detailed on the form – particularly inaccurate pay details.</p>	<p>£160 per notification</p> <p>A further £80 for each month the notification remains outstanding</p> <p>These higher rates reflect the fact the retiree will be chasing the administering authority for their pension</p>

<p><b>Monthly/annual membership data</b></p>	<p>Scheme employer has not provided monthly data within 10 working days of the relevant calendar month end and/or quality of data provided is poor and requires manual intervention.</p> <p>Scheme employer has not provided year end data by the 30<sup>th</sup> April and/or quality of data provided is poor and requires manual intervention and additional data cleansing.</p>	<p>£400 per data file</p> <p>A further £200 per month the data is outstanding</p>
<p><b>Monthly/Annual data queries</b></p>	<p>Scheme employer has not responded to queries regarding submitted monthly or annual data within 10 working days of this request or the response has been unsatisfactory and queries remain outstanding</p>	<p>£100 per omission</p> <p>A further £60 per month of non-response or unsatisfactory replies</p>

### Further information

If you would like more information about the Scheme please contact us at the address below:

Pensions Service  
West Northamptonshire Council  
The Guildhall  
St Giles Square  
Northampton  
NN1 1DE

[penemployers@westnorthants.gov.uk](mailto:penemployers@westnorthants.gov.uk)  
[pensions.westnorthants.gov.uk](https://pensions.westnorthants.gov.uk)

### 3. Appendix A – Whole Fund Administration Performance Standards

The following are key indicators where the target can only be achieved by the Administering Authority and Employing Authorities both delivering high levels of administration.

Function / Task	Indicator	Target
Notify leavers of deferred benefit entitlements	Deferred award letter sent within 40 working days of last day of employment.	90%
Notify employees retiring from active membership of benefits award	Issue award within 5 working days after payable date or date of receiving all necessary information if later.	95%

## Appendix B –Employer Performance Standards

The following are the performance targets that the Employer will be expected to meet.

Function/Task	Indicator	Target
Confirm nominated representatives	Representative confirmed within 30 working days of employer joining fund or change to nominated representative	100%
Arrange for the correct deduction of employee and employer contributions and pay over in a timely manner for both monthly and annual returns.	Number of months in the year where contributions were in the Pension Fund by the 19 <sup>th</sup> calendar day of month after deduction	100%
Upon receipt of a notification from an Additional Voluntary Contribution (AVC) provider of an employee's election to pay, vary the amount or cease AVCs (or Shared Cost AVCs where applicable), to apply the notification accordingly and where applicable deduct from a member's pay the contributions as instructed by the AVC provider.	Within 1 month of receipt of notification from the AVC provider	100%
Pay over to the specified AVC provider contributions deducted from a member's pay.	Within 7 days of deduction from pay	100%
Must have published Employer Discretions, accessible by all employees and copy provided to the administering authority.	Discretions published and provided to administering authority within 30 days of approval	100%
Discretions must be reviewed and amended as necessary	Any amendments to discretion must be confirmed in writing within 30 days from change	100%

Function/Task	Indicator	Target
Upon receipt of a notification of an employee's election to pay Additional Regular Contributions, to apply the notification accordingly and where applicable deduct from a member's pay and pay over the contributions as instructed.	Within 1 month of notification	100%
Respond to enquiries in respect of retirements, estimates or any other query identified as urgent.	Response received within 5 working days from receipt of enquiry.	100%
Respond to enquires in respect of those queries deemed as non urgent	Response received within 10 working days from receipt of enquiry.	95%
Provide new employees with scheme information	Within the automatic enrolment joining window.	100%
Determine appropriate rate of employee contributions for new scheme members in the LGPS	Decisions made by time of first salary payment.	100%
Provide all necessary information regarding new starters and hours/weeks per year variations.	Within 10 working days of the relevant calendar month end	95%
Determine reason for leaving and Final pay, issue entitlement award to member and leavers certificate to the administering authority for leavers NOT entitled to immediate payment of pension.	Certificate received within 15 working days of date of leaving	95%
Provide monthly and annual membership data in prescribed format.	Information to be provided for all Members within 10 working days after the end of the relevant calendar month for monthly data and by 30 April following year end	100%

Function/Task	Indicator	Target
Determine reason for leaving and Final pay, issue entitlement award and retirement pack to member and leavers certificate to the administering authority for retirees entitled to immediate payment of pension.	Certificate received at least 10 working days <u>before</u> date of leaving.	95%
Must have published Employer Discretions, accessible by all employees and copy provided to the administering authority.	Discretions published and provided to administering authority within 30 days of approval	100%
Discretions must be reviewed and amended as necessary	Any amendments to discretion must be confirmed in writing within 30 days from change	100%

## Appendix C – Administering Authority Performance Standards

The following are the headline performance targets that the administering authority will be expected to meet.

Function / Task	Indicator	Target
<b>LIAISON AND COMMUNICATION</b>		
Confirm nominated employer liaison officers	10 working days of employer joining fund or change to nominated officer	100%
Publish and keep under review the administration strategy.	Within three months of decision to develop an administration strategy or one month of any changes being agreed with scheme employers	100%
Keep up to date the employer website, including procedural guides, scheme guide and all other documents and forms	20 working days from date of change/amendment	100%
Formulate and publish policies in relation to all areas where the Administering Authority may exercise a discretion within the scheme	Within 30 working days of policy being agreed by the Pensions Committee	100%
Organise training sessions for scheme employers, subject to fair use of training resource	Training date agreed with employer within one month of request	100%
Notify the employer and scheme members of changes to the scheme rules	Within one month of being informed of the change	95%
Notify the employer of any issues relating to its poor performance (including arranging meeting if required)	Within 20 working days of performance issue becoming apparent	90%
Notify the employer of any costs recoverable under this Strategy associated with their poor performance (including any interest that may be due)	Within 20 working days of the event	100%

Function / Task	Indicator	Target
<p>Issue annual benefit statements to active members as at 31 March each year</p> <p>Statements will be published to member's online pension account, unless they have provided a written instruction to opt out of electronic communications.</p>	<p>Statements to be published on the members online pension account by the following 31 August (pending timely receipt of satisfactory year end data from the scheme employer).</p> <p>If the member has opted out of electronic communications, the statement should be posted by 31 August.</p>	100%
Issue annual benefit statements to deferred benefit members as at 31 March each year for those which we have an up to date address	By the following 30 June	100%
<b>FUND ADMINISTRATION</b>		
Issue formal valuation results (including individual employer details) Carry out cessation valuation exercise on cessation of admission agreements or employer ceasing participation in the Pension Fund	20 working days from receipt of results from Fund Actuary (but in any event no later than 31 March following the valuation date)	100%
Carry out a cessation valuation exercise on cessation of admission agreements or employer ceasing participation in the Pension Fund.	Initiated within 40 days with Fund Actuary plus results issued to employer within 2 months of clean data	100%
Publish, and keep under review, the Administering Authority's governance policy statement	Within 30 working days of policy being agreed by the Pensions Committee	100%



Function / Task	Indicator	Target
Publish and keep under review the Pension Fund's funding strategy statement.	To be reviewed at each triennial valuation, following consultation with scheme employers and the Fund's Actuary. Revised statement to be issued with the final valuation report	100%
Publish the Pension Fund annual report and any report from the auditor.	By 31 August following the year end	100%
Provide an FRS17/IAS19 report to employers for their chosen accounting date	Within one month of the accounting date providing employer has agreed to costs and returned required data by 1 <sup>st</sup> of the month in which the accounting date falls	100%
<b>SCHEME ADMINISTRATION</b>		
Provide transfer-in quote to scheme member	Letter issued within 10 working days of receipt of all appropriate information	95%
Confirm transfer-in payment and service credited to scheme member	Letter issued within 10 working days of receipt of transfer payment by Pension Fund (or receipt of all information needed to complete calculations if later)	90%
Notify the employer of scheme member's election to pay or cease paying additional regular contributions and other contracts, including all required information to enable deductions to commence or finish.	Email sent within 5 working days of receipt of election from scheme member	95%

Function / Task	Indicator	Target
Calculate cost of additional regular contributions, and notify scheme member	Letter sent within 10 working days of receipt of request from scheme member	90%
Provide requested estimates of benefits to employers including any additional fund costs in relation to early payment of benefits from ill health, flexible retirement, redundancy or business efficiency	Estimate in agreed format provided within 10 working days from receipt of all information	90%
Provide a maximum of one estimate of benefits to employees per year on request.	Estimate in agreed format provided within 10 working days from receipt of all information	90%
Provide a maximum of one cash equivalent transfer value (CETV) to employees per year on request	Provided within 10 working days from receipt of all information	90%
Provide a divorce quotation to employees on request	Provided within 10 working days from receipt of all information	90%
Notify leavers of deferred benefit entitlements or concurrent amalgamation.	Issue award or confirm amalgamation within 10 working days of receiving all necessary information.	90%
Notify employees retiring from active membership of benefits award.	Issue award within 5 working days after payable date or date of receiving all necessary information if later.	95%
Payment of ongoing pension (not including the first pension payment).	Eligible payments made on the publicised payment date.	100%
Acknowledge death of active/deferred/pensioner member.	Letter issued within 5 working days following notification of death	100%

Function / Task	Indicator	Target
Provide responses to other enquiries from scheme members, scheme employers, personal representatives, dependents and other authorised persons	Full response within 5 working days from receipt of all information needed to respond to enquiry	90%
Where a full response will not be available within the published service standards send an acknowledgement and provide the expected timescale.	Acknowledgement within 5 working days from receipt of initial enquiry	100%
Appoint stage 2 “appointed person” for the purposes of the pension dispute process and notify all scheme employers of the appointment	Within 30 working days following the resignation of the current “appointed person”	100%
Process all stage 2 pension dispute applications	Within two months of receipt of the application, or such longer time as is required to process the application where further information or clarification is required.	100%
Publish and keep under review the Pension Fund policy on the abatement of pension on reemployment	Notify scheme members and scheme employers within one month of any changes or revisions to the policy	100%

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# Administration Strategy 2023



Administered in partnership

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## **1. Introduction**

- 1.1 This is the Administration Strategy of the Northamptonshire Pension Fund (“the Fund”) managed by West Northamptonshire Council (“the Administering Authority”).
- 1.2 The Administration Strategy is kept under review and revised to reflect changes to the Local Government Pension Scheme Regulations 2013 (“the Regulations”) and other legislation and guidance impacting the Fund.
- 1.3 This document sets out a framework for administering the Fund by outlining the policies and performances standards to be achieved to enable provision of a cost-effective and high-quality pension administration service.
- 1.4 This version of the Administration Strategy was reviewed and agreed by the Pension Fund Committee on [Enter Date of approval]. It will be reviewed periodically to ensure it remains up to date.
- 1.5 A separate Annual Business Plan and Medium-Term Strategy, including activities to support the delivery of administration in accordance with this Administration Strategy, is agreed annually and published on the Fund’s website.

## **2. Regulatory Framework**

- 2.1 The LGPS is a statutory public service pension scheme established by an act of Parliament and the rules and regulations of the Scheme must also be approved by Parliament.
- 2.2 This strategy has been produced in accordance with Regulation 59 of the Local Government Pension Scheme Regulations 2013. The Regulations provide that administering authorities may prepare, maintain and publish a written statement setting out their policy concerning administration matters, and that the administering authority and its employing authorities must then have regard to that strategy when carrying out their functions.
- 2.3 The Regulations also require that the administering authority should consult with its employing authorities (and any other persons it considers appropriate) in preparing or reviewing its administration strategy.
- 2.4 In addition, regulation 70 allows an administering authority to recover additional costs from a scheme employer where, in its opinion, they are directly related to the poor performance of that scheme employer. Where this situation arises the administering authority is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.
- 2.5 In accordance with the Public Sector Pensions Act 2015, the LGPS is regulated by the Pensions Regulator (tPR). The Administering Authority and scheme employers are also required to comply with regulatory guidance and the Code of Practice issued by tPR.

- In carrying out their roles and responsibilities, in relation to the administration of the LGPS, both the Administering Authority and scheme employers should also comply with relevant overriding regulations including but not limited to: Pensions Act 2004, 2011 and 2021 and associated disclosure legislation
- Public Service Pensions Act 2013 and associated record keeping legislation
- Freedom of Information Act 2000
- Equality Act 2010
- Finance Act 2013
- Discretionary Compensation Regulations 2006
- The Data Protection Act 2018

2.6 This strategy therefore sets out the information as required by the regulations mentioned above.

2.7 Nothing in this strategy overrides the legal responsibilities of any parties, for example, the statutory requirement to notify the Pension Regulator in the event of a material breach of the law.

### 3. Aims and Key Objectives

3.1 This strategy has been developed to help the Administering Authority meet the following objectives:

- To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and scheme employers.
- To ensure the relevant stakeholders responsible for managing, governing, and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
- To put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary.
- To administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration.
- To provide scheme members with up-to-date information about the scheme in order that they can make informed decisions about their benefits.

3.2 The aims of this strategy are to:

- set out the quality and performance standards expected of the Administering Authority and scheme employers;
- promote good working relationships and improve efficiency between the Administering Authority and scheme employers;
- ensure scheme employers are aware of and understand their roles and responsibilities under the Regulations;
- maintain accurate records and ensure data is protected and used for an authorised use only;
- ensure that the administration costs attributable to scheme employers are charged proportionately;



- increase the efficiency of administering the LGPS through the appropriate use of technology to bring value for money and improve member engagement;
- improve the scheme member experience by understanding and measuring each member's overall customer journey.

#### 4. Key Risks

4.1 Key risks relating to this strategy and the achievement of its aims and objectives include:

- The operations of the Pension Fund and that of its suppliers are interrupted as a result of a cyber-attack;
- Incorrect/poor quality data held on the pension administration and payroll platforms or delays with receiving information leading to incorrect information/delayed provision of information to members and stakeholders;
- Unable to deliver pension services due to inadequate recruitment/retention processes and inadequate skills and knowledge to undertake the role effectively;
- Unable to deliver pension services due to lack of resources through unexpected long term staff sickness and absence;
- Lack of adequate knowledge and skills due to loss of key personnel;
- Lack of understanding of scheme employer responsibilities which could result in statutory and non-statutory deadlines being missed.

#### 5. Delivery of Administration

5.1 The Administering Authority has delegated responsibility for the management of the Fund to the Pension Fund Committee, with assistance from the Local Pensions Board (the Board). The Pension Fund Committee and the Board will monitor the implementation of this strategy.

5.2 The day-to-day administration of the Fund is carried out by West Northamptonshire Council ("the Administrator"), working in partnership with the Administering Authority. Unless specifically stated, no distinction is made between the Administrator and Administering Authority in the rest of this policy.

5.3 The Administering Authority is committed to providing a positive customer journey for all members of the Fund. To monitor the member experience, the Administering Authority has introduced new key performance indicators based on the entire customer journey and collects regular feedback from members who have had recent interaction with the Administering Authority.

##### Liaison and communication with scheme employers

5.4 The delivery of high-quality administration relies on the Administering Authority working in partnership with a number of different organisations and stakeholders to achieve the aims and objectives of this strategy and ensure that statutory requirements are met.

5.5 The Administering Authority relies on scheme employers to provide the appropriate information in a timely manner to maintain accurate records and pay accurate benefits. The Administering Authority acknowledges that this is a partnership arrangement and this strategy clarifies the responsibilities of both the Administering Authority and the Fund's employers within this partnership.

- 5.6 To facilitate this partnership the Administering Authority will provide:
- a named contact (and deputy) at the Administering Authority for all scheme employer communications and queries;
  - clear instructions and interfaces to allow seamless transfer of information by scheme employers;
  - information within the performance standards outlined in this strategy.
- 5.7 In return, the scheme employers within the Fund are expected to: Provide named contacts at the scheme employer for all Administering Authority communications and queries. This must include one person who has overall responsibility for ensuring the scheme employer carries out its roles and responsibilities;
- Provide monthly information to the Administering Authority using the i-Connect portal, as outlined in instructions provided;
  - Provide information within the performance standards and timelines outlined in this strategy;
  - Ensure all information provided is correct by having an appropriate quality review process.
- 5.8 Full details of the procedures for liaison and communication between the administering authority and the Fund's stakeholders are included within the Fund's communication strategy.

## **6. Digital Administration**

- 6.1 The Administering Authority is "digital by default". This means that wherever appropriate, it will make use of technology to improve quality and reduce the cost of administering the Fund, making its processes more effective and efficient.

### **Members**

- 6.2 We offer active, deferred and pensioner members access to an online pension account to help them manage their pension. The online pension account allows members to:
- Check the value of their pension benefits;
  - Obtain an estimate of their projected pension benefits;
  - Update their contact details;
  - Update details of their beneficiaries;
  - Send us documents and messages;
  - Receive communications from the Administering Authority;
  - Start the retirement process;
  - Check pensioner payslips and P60s.
- 6.3 Unless specifically instructed by a member that they wish to opt out of electronic communications, the Administering Authority will communicate with members electronically, either by uploading letters and information to the members online pension account or by email. The Administering Authority will also occasionally use text messages to inform members that a message is waiting for them online.

## **Scheme employers**

- 6.4 The Administering Authority collects membership data from scheme employers monthly to ensure that member records are accurate and up-to-date. All scheme employers are required to upload a monthly interface through “i-Connect”, a module of the Fund’s pension administration software.
- 6.5 i-Connect allows scheme employers to automate many parts of the process for transferring member data from their payroll system to the Administering Authority monthly. i-Connect:
- reduces manual intervention when collecting and reporting member data;
  - allows ongoing data validation and more timely resolution of data queries;
  - reduces the amount of work needed at year end and spreads this more evenly across the scheme year;
  - assists with the maintenance of accurate and up to date member records;
  - ensures data is submitted in line with statutory requirements and reduces the risk of breaching statutory time limits for processing data and communicating with members.
- 6.6 Maintaining accurate and up to date member records facilitates the accurate and timely calculation of member benefits and provides a better member experience. Scheme employers are required to submit member data, via i-Connect within 7 working days after the end of the relevant calendar month.
- 6.7 The Administering Authority has invested time and resources into making available the i-Connect facility and designing processes around monthly data collection, maximising the efficiency and cost effectiveness of administering the Scheme. Failure to use i-Connect by a scheme employer creates additional steps in the administration process and therefore increases the cost of administration. To avoid cross-subsidy by other scheme employers, the Administering Authority will seek to recover these additional costs from any scheme employer who fails to submit monthly membership data via i-Connect or submits membership data via other means, unless agreed for a specific purpose.
- 6.8 To ensure the timely submission of data, if the monthly submission is not received by the Administering Authority by the 7<sup>th</sup> working day of the month, the i-Connect escalation process detailed in appendix D will be used.

## **7. Administering Authority Responsibilities**

- 7.1 The primary role of the Administering Authority is to:
- administer the LGPS in respect of all scheme members, beneficiaries and their representatives in accordance with this strategy;
  - ensure all statutory responsibilities and requirements are met;
  - maintain and review the Fund’s policies, strategies, reports and all other matters relating to the governance of the scheme;
  - communicate and engage with scheme employers on LGPS matters;
  - maintain and develop effective digital administration platforms and processes for the benefit of members and scheme employers. The Administering Authority is expected to

carry out its roles and responsibilities within the requirements of this strategy. A detailed list of functions and activities expected of the Administering Authority and the performance standards for each are set out in appendix C. This is not an exhaustive list of functions the Administering Authority may be expected to undertake but an illustration of the most common and key activities affecting outcomes for members

7.2 The following is a summary of the main Administering Authority responsibilities:

- Ensure that the standards and levels of service set out in this strategy are met and relevant regulations are complied with;
- Provide a helpline for member and scheme employer enquiries, available during normal office hours, providing a single point of access for information relating to the LGPS;
- Create, maintain, update and process member records according to the information provided by scheme employers and members;
- Check and reconcile membership data provided by scheme employers as far as possible;
- Collect and reconcile employer and employee pension contributions;
- Calculate and pay retirement benefits, deferred benefits and death in service benefits in accordance with LGPS Regulations, members' options and statutory limits;
- Provide estimate of retirement benefits on request by a scheme member or scheme employer;
- Ensure statutory disclosure requirements are met within the required timescales including information to new joiners and those leaving the Scheme;
- Draft and publish an Administering Authority Discretion Policy
- Inform scheme members and scheme employers of any changes to the rules and regulations of the LGPS;
- Ensure the Fund website is up to date with the latest information, including procedural guides, scheme guides and all other documents and forms;
- Provide training to help scheme employers understand and carry out their responsibilities effectively;
- Manage the performance of both the Administering Authority and scheme employer against the requirements of this strategy;
- Carry out and issue formal valuation results including for new and ceasing scheme employers as well as at the formal triennial valuation;
- Assess the final funding position for exiting scheme employers and collect any deficit payments required or carry out an exit credit determination;
- Develop, maintain, and publish Fund policies and strategies.

## **8. Scheme employer Responsibilities**

8.1 The primary responsibilities of scheme employers are to:

- Communicate details of the LGPS to eligible staff;
- Apply the scheme regulations;
- Provide required information to the Administering Authority.

8.2 Scheme employers are expected to carry out their roles and responsibilities within the requirements of this strategy. A detailed list of the key functions and activities expected of scheme employers and the performance standards for each are set out in appendix B. This is not an

exhaustive list of functions a scheme employer may be expected to undertake but an illustration of the most common and key activities affecting outcomes for members.

8.3 The following is a summary of the main employer functions:

- Ensure that the standards and levels of service set out in this strategy are met and relevant regulations are complied with;
- Collection, payment and reporting of employee and employer pension contributions including any additional pension contributions or additional voluntary contributions (“AVCs”);
- Submission of monthly member data using i-Connect, including information about new starters, job changes and leavers;
- Provide leaver information where additional details are requested by the Administering Authority;
- Respond to enquiries in respect of retirements, estimates and any other queries related to administering member benefits;
- Draft and publish an employer discretion policy and supply evidence of pension-related employer decisions when exercising a discretion;
- Pay any pension strain costs to the Administering Authority;
- Share Administering Authority communications with appropriate staff within the scheme employer;
- Provide new employees with information about the LGPS;
- Inform the Administering Authority of any planned transfers of LGPS eligible employees to another scheme employer at the earliest opportunity and work with the Administering Authority and any relevant third party to put an admission agreement in place before the transfer date;
- Inform the Administering Authority of changes to payroll provider and/or employee payroll references;
- Notify the Administering Authority of all applications received under the Fund’s internal disputes resolution procedure (IDRP).

#### Data queries

8.4 Scheme employers are required to respond to any queries related to their monthly data submission in a timely manner to ensure the smooth processing and accuracy of member data. Data queries from each monthly return will need to be resolved before the following return can be submitted.

8.5 The Administering Authority applies appropriate tolerances when reconciling membership data. Any data that falls outside of these tolerances will result in a query being raised with the scheme employer. Queries will fall into one of two categories:

- **Warning:** A warning will be raised when the data fails a tolerance check but could still be correct and benefits can be calculated using the data provided. The scheme employer will be expected to correct the data or confirm that it is correct.
- **Error:** An error will be raised when the query prevents benefits from calculated, e.g. the data is missing or very clearly wrong. The scheme employer will be expected to correct the data as soon as possible.

8.6 The escalation processes detailed in appendix D will be used to ensure the timely resolution of any data queries. Different escalation processes will be used depending on whether an individual or bulk query has been raised:

8.7 Where an unanswered query creates a delay in providing information to a scheme member, the member will be informed that we are waiting for information and encouraged to speak to their employer directly to help resolve the delay.

## 9. Performance Standards

9.1 The Administering Authority will ensure that all functions/activities are carried out to the agreed quality standards and within the timelines set out within this strategy or as advised by the Administering Authority from time to time. To ensure compliance with both the regulatory requirements and the Fund's objectives, the Administering Authority has set out the key performance indicators expected from both scheme employers and the Administering Authority in appendix A, B and C of this strategy.

9.2 These performance targets have been reviewed and agreed by the Pension Fund Committee and Local Pension Board with a view to ensuring good customer journeys. In developing the performance standards the Administering Authority has considered: statutory requirements;

- advice on best practice from the Scheme Advisory Board (SAB);
- advice from the Fund's Benefits and Governance advisor;
- performance standards of other Local Government Pension Scheme Funds.

9.3 The performance standards are what the Administering Authority considers to be appropriate, fair and achievable with the aim of providing the best customer experience to the Fund's members and may go beyond the minimum statutory requirements.

9.4 Various methods will be used to assist in monitoring and ensuring compliance with this administration strategy

9.5 Methods may include:

- Internal/external audit review processes and internal controls;
- Measuring both Administering Authority and employer performance against the performance requirements set out in this strategy;
- Performance against the key performance indicators will be reported to and monitored by the Pension Fund Committee and Local Pension Board;
- Benchmarking performance against other administering authorities;
- Reporting persistent poor performance by scheme employers to the Pension Fund Committee and, where the breach is deemed to be material, the Pensions Regulator in line with the Fund's policy on reporting breaches of the law to the Pensions Regulator;
- Recovery of any additional costs incurred due to poor performance by a scheme employer including both direct and indirect costs.

## **10. Working with our Scheme Employers – Improving Administration**

- 10.1 Using the means mentioned above, the Administering Authority will monitor progress against this strategy. Performance against the key performance indicators is reported to the Fund's Pension Committee and Local Pension Board alongside any remedial action taken where the expected standards are not being met. In addition, key performance indicators will be reported in the Fund's Annual Report and Accounts.
- 10.2 Officers, Committee and Board members and anyone else responsible for the administration of the Fund also has a duty to report any material breaches of the law to the Pensions Regulator. The Administering Authority will keep a log of any action or failure to act by a scheme employer that results in a breach of the law. Breaches will be reported to the Pensions Committee and Local Pension Board at each meeting of that body and any breaches deemed to be material will be reported to the Pensions Regulator in line with the policy on reporting breaches of the law.
- 10.3 The Administering Authority will aim to work with scheme employers to avoid any such situations from occurring and to resolve any issues informally through its employer liaison function using the escalation processes described in appendix D.
- 10.4 The Administering Authority will keep a record of matters that are escalated through the employer liaison function. This will be used to identify patterns and trends indicating potential systemic issues. Where patterns or trends are identified, the information will be used to update the Administering Authority's training materials and/or trigger direct intervention with a particular scheme employer or group of scheme employers.
- 10.5 To help scheme employers maintain good levels of performance and or resolve any issues, the Administering Authority's employer liaison function will offer the following services:
- The opportunity for review meetings between a representative of the Administering Authority and the scheme employer to monitor and review performance against targets, the quality of information exchange and to ensure compliance with statutory obligations;
  - Seminars, training sessions, videos and other training materials on the most persistent issues affecting scheme members and scheme employers;
  - An annual employer forum;
  - A scheme employer helpline and dedicated inbox will be available from 9am until 5pm during normal working days to answer employer queries.
- 10.6 Poor performance by a scheme employer not only results in a negative member experience, it can also directly and/or indirectly increase the cost of administering the Fund. Regulation 70 of the Regulations provides that an Administering Authority may recover from a scheme employer any additional costs associated with the administration of the scheme incurred as a result of the poor level of performance of that Employing Authority.
- 10.7 If problems persist following the interventions mentioned above, the Administering Authority will seek to recover any additional costs caused by the poor performance of a scheme employer from that employer.

- 10.8 Where the Administering Authority wishes to recover any such additional costs a written notice will be given stating:
- The reasons in their opinion that the scheme employer’s poor performance contributed to the additional cost;
  - The amount of the additional cost incurred;
  - The basis on how the additional cost was calculated; and
  - The provisions of the pension administration strategy relevant to the decision to give notice.
  - In instances where the performance of the scheme employer results in fines being levied against the administering authority by the Pension Regulator, Pensions Ombudsman or other regulatory body, these costs will be recoverable immediately.
- 10.9 More detail on the circumstances where costs may be recovered, including a sample schedule of charges, can be found in appendix E.

## 11. Approval, Consultation and Review Process

- 11.1 This strategy is reviewed by the Local Pension Board and subject to approval by the Pension Fund Committee before publication. It was last approved on **[Enter date]**.
- 11.2 The strategy will also be subject to a 30-day consultation with scheme employers before final publication

## 12. Further Information

- 12.1 If you would like more information about the Fund please contact us at the address below:

Pensions Service  
West Northamptonshire Council  
The Guildhall  
St Giles Street  
Northampton  
NN1 1DE

[pensions@northamptonshire.gov.uk](mailto:pensions@northamptonshire.gov.uk)  
<http://pensions.northamptonshire.gov.uk/>



## Appendix A – Member Experience Performance Standards

- A1 The following are key indicators measuring the member experience. The target against each indicator is what the Administering Authority believes represents a reasonable expectation of member experience. Achieving these targets requires actions from both the scheme employer and Administering Authority. The performance targets for each activity have been split to show the requirements of each party.
- A2 Achieving these targets may also be dependent on various factors outside of either the scheme employer’s or Administering Authority’s control. In such instances, performance against the targets will be measured from the earliest point that either party has all information needed to complete the activity.

Function / Task	Legal requirement	Scheme employer target (working days)	Administering Authority target (working days)	Total Target
Provide basic scheme information to new joiners.	2 months from date of joining	Scheme employer to provide information about new joiners (using i-Connect) within 7 days after the end of the relevant calendar month	Issue basic scheme information within 15 days after receiving new starter notification	2 calendar months after the date of joining.
Provide Transfer-in quote	2 months from date of request	No information required from the scheme employer, but completion is dependent on receiving information from previous Pension provider.	Issue quotation within 10 working days of receipt of all appropriate information.	2 months from date of request

Provide quotation of cash equivalent transfer value upon request	3 months from date of request	No information required from the scheme employer but may be required to answer any data queries that arise.	Issue quotation within 10 working days of receipt of all information.	3 months from date of request.  <b>Only one quote provided per years</b>
Inform members who leave the scheme before retirement age, with no immediate entitlement to benefits, of their rights and options	2 months from date of leaving	Scheme employer to provide information about non-retiring members who leave the scheme (using i-Connect) within 7 days after the end of the relevant calendar month	Issue information about rights and options within 15 days of receiving notification of a member leaving the scheme	2 months after date of leaving.
Inform members who leave the scheme at or after retirement age and at or after their normal pension age, of the benefits due. <sup>1</sup>	Within 1 month of leaving date.	Scheme employer to submit a leaver notification (using i-Connect) within 7 days after the end of the relevant calendar month.	Issue award within 10 days after date of being notified by the Scheme employer	Within 1 month of leaving date.
Inform members who leave the scheme, at or after retirement age but before their normal pension age, of the benefits due. <sup>2</sup>	Within 2 months of leaving date.	Scheme employer to submit a leaver notification (using i-Connect) within 7 days after the end of the relevant calendar month.		Within 2 months of leaving date.

<sup>1</sup> This task relates to members who leave employment, with an immediate entitlement to benefits, after their retirement age (currently 55) and on or after their normal pension age (usually their state pension age).

<sup>2</sup> This task relates to members who leave employment after the earliest date they can retire (currently 55) but before their normal pension age (usually their state pension age)

Calculate and notify dependant(s) of value of death benefits	As soon as possible but no more than 2 months after date of becoming aware of death.	Notify the Administering Authority of the death of an LGPS eligible employee within 5 days of being notified of the death.	Notify any dependant(s) of the value of death benefits within 15 days of receipt of all information.	Within 2 months after date of death.
Provide responses to member enquiries	N/A	Respond to any request for information from the administering authority to help respond to the enquiry within 5 days.  <b>(See appendix D for details of the escalation process to be used if a response is not received by the deadline)</b>	Respond to member enquiry within 5 days of receiving all information needed to respond to the enquiry.	10 working days from the date enquiry is received.

Function / Task	Legal requirement	Scheme employer target (working days)	Administering Authority target (working days)	Total Target
Provide basic scheme information to new joiners.	2 months from date of joining	Scheme employer to provide information about new joiners (using i-Connect) within 7 days after the end of the relevant calendar month	Issue basic scheme information within 15 days after receiving new starter notification	2 calendar months after the date of joining.
Provide Transfer-in quote	2 months from date of request	No information required from the scheme employer, but completion is dependent on receiving information from previous Pension provider.	Issue quotation within 10 working days of receipt of all appropriate information.	2 months from date of request
Provide quotation of cash equivalent transfer value upon request	3 months from date of request	No information required from the scheme employer but may be required to answer any data queries that arise.	Issue quotation within 10 working days of receipt of all information.	3 months from date of request. <b>Only one quote provided per years</b>
Inform members who leave the scheme before retirement age, with no immediate entitlement to benefits, of their rights and options	2 months from date of leaving	Scheme employer to provide information about non-retiring members who leave the scheme (using i-Connect) within 7 days after the end of the relevant calendar month	Issue information about rights and options within 15 days of receiving notification of a member leaving the scheme	2 months after date of leaving.
Inform members who leave the scheme at or after retirement age and at or after their normal pension age, of the benefits due. <sup>3</sup>	Within 1 month of leaving date.	Scheme employer to submit a leaver notification (using i-Connect) within 7 days after the end of the relevant calendar month.	Issue award within 10 days after date of being notified by the Scheme employer	Within 1 month of leaving date.

<sup>3</sup> This task relates to members who leave employment, with an immediate entitlement to benefits, after their retirement age (currently 55) and on or after their normal pension age (usually their state pension age).

Inform members who leave the scheme, at or after retirement age but before their normal pension age, of the benefits due. <sup>4</sup>	Within 2 months of leaving date.	Scheme employer to submit a leaver notification (using i-Connect) within 7 days after the end of the relevant calendar month.		Within 2 months of leaving date.
Calculate and notify dependant(s) of value of death benefits	As soon as possible but no more than 2 months after date of becoming aware of death.	Notify the Administering Authority of the death of an LGPS eligible employee within 5 days of being notified of the death.	Notify any dependant(s) of the value of death benefits within 15 days of receipt of all information.	Within 2 months after date of death.
Provide responses to member enquiries	N/A	Respond to any request for information from the administering authority to help respond to the enquiry within 5 days.  <b>(See appendix D for details of the escalation process to be used if a response is not received by the deadline)</b>	Respond to member enquiry within 5 days of receiving all information needed to respond to the enquiry.	10 working days from the date enquiry is received.

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<sup>4</sup> This task relates to members who leave employment after the earliest date they can retire (currently 55) but before their normal pension age (usually their state pension age)

## Appendix B – Performance Standards Relating to the Scheme employer only

Function	Task	Indicator
Nominate appropriate scheme employer representative	Confirm nominated representatives.	Representative confirmed within 30 working days of scheme employer joining fund or change to nominated representative.
Publish employer discretions policy	Must have published Employer Discretions, accessible by all employees and copy provided to the administering authority.	Discretions published and provided to administering authority within 90 days of joining the Fund.
Review discretions policy	Discretions must be reviewed and amended as necessary.	Any amendments to discretion must be confirmed in writing within 30 days from change.
Payment of employee and employer pension contributions.	Arrange for the correct deduction of employee and employer contributions and pay over in a timely manner.	Contribution payment and remittance are received by the Administering Authority by the 19 <sup>th</sup> of the month following collection.
Payment of additional voluntary contributions.	Correctly apply instructions received from an Additional Voluntary Contribution (AVC) provider relating to an employees election to pay AVCs and/or vary the amount of contributions paid into or cease an existing AVC arrangement.	Within 1 calendar month of receipt of notification from the AVC provider.
Payment of AVC contributions.	Pay over to the specified AVC provider contributions deducted from a member's pay.	Within 5 working days of deduction from pay.
Provide new members with scheme information.	Provide new employee members with scheme information.	Within 25 working days of the employee joining the LGPS.
Determine appropriate employee contribution rates.	Determine appropriate rate of employee contributions for members of the LGPS.	New starters: Before first salary payment. Existing members: On 1 April each year and as specified in your employer discretions policy.
Submission of monthly membership data.	Submit monthly member data using the Administering Authority's prescribed process (i-Connect), including information about new starters, job changes and leavers.	i-Connect submission to be received by the Administering Authority within 7 working days after the end of the relevant calendar month.  <b>(See appendix D for details of the escalation process to be used for i-connect submissions)</b>

Process leavers <b>NOT</b> entitled to immediate payment of benefits	Determine reason for an employee leaving the scheme, calculate final pay (for those with membership before 1 April 2014) and issue entitlement award to the member for leavers NOT entitled to immediate payment of pension.	<b>Entitlement award:</b> To be issued to the member within 2 calendar months after date of leaving. <b>Final Pay calculation:</b> To be calculated and included in i-Connect submission within 7 working days after the end of the relevant calendar month.
Process leavers with an immediate entitlement to payment of benefits.	Determine reason for an employee leaving the scheme. Calculate final pay (for those with membership before 1 April 2014), Issue entitlement award and retirement pack to the member Submit leaver notification form to the Administering Authority.	<b>Final pay calculation:</b> To be calculated and included on leaver notification form. <b>Issue of entitlement award and retirement pack to the member:</b> Within 1 month of leaving date if at or over normal pension age or within 2 months if under normal pension age. <b>Submit leaver notification form to the Administering Authority:</b> No later than 10 working days before the date of leaving.
Respond to enquiries from the Administering Authority	Respond to enquiries in respect of retirements, estimate, pay information and any other queries related to administering member benefits	Query resolved within 5 working days  <b>(See appendix D for information on the escalation process to be used for member related queries.)</b>
Change of payroll provider	Inform the Administering Authority of changes to payroll provider or any change to payroll system that will result in a change of payroll references for large groups of staff.	Notification to be issued to the Administering Authority at least 2 calendar months before the change.

## Appendix C – Performance Standards Relating to the Administering Authority only

Function	Task	Indicator
<b>LIAISON AND COMMUNICATION</b>		
Nominate employer liaison officers	Confirm nominated employer liaison officers	10 working days of scheme employer joining fund or change to nominated officer
Publish Administration strategy	Publish and keep under review the administration strategy.	Administration strategy to be reviewed on a triennial basis and published within 1 calendar month of changes being approved by the Pension Fund Committee
Maintain Pension Fund website	Keep the employer website up to date, including procedural guides, scheme guide and all other documents and forms	20 working days from date of change/amendment
Develop and review Fund policies	Formulate and publish policies in relation to all areas where the Administering Authority may exercise a discretion within the scheme	Policies to be developed as required and reviewed on a triennial basis and published within 1 calendar month of policy being agreed by the Pensions Committee
Provide training for Scheme employers upon request	Organise training sessions for scheme employers upon request, subject to fair use of training resource	Training dates to be agreed within 1 calendar month of request from the scheme employer
Communicate changes to scheme rules	Notify scheme employers and scheme members of changes to the scheme rules	Within one calendar month of the effective date of the change.
Liaise with scheme employers over poor performance	Notify the scheme employer of any issues relating to its poor performance (including arranging meeting if required)	Within 20 working days of performance issue becoming apparent.  <b>(See appendix D for information on the escalation process to be used when managing employer performance.)</b>
Notify scheme employers when additional costs will be recovered	Notify the scheme employer of any costs recoverable under this Strategy associated with their poor performance (including any interest that may be due)	Within 20 working days of the event or according.  <b>(See appendix D for information on the escalation process to be used when managing employer performance.)</b>



Function	Task	Indicator
Issue annual benefit statements to active members	Issue annual benefit statements to active members as at 31 March each year  Statements will be published to member's online pension account, unless they have provided a written instruction to opt out of electronic communications.	Statements to be published on the members online pension account by the following 31 August  <b>(pending timely receipt of satisfactory membership data from the scheme employer).</b>
Issue annual benefit statements to deferred members	Issue annual benefit statements to deferred benefit members as at 31 March each year.  Statements will be published to member's online pension account, unless they have provided a written instruction to opt out of electronic communications.	By the following 30 June.
<b>FUND ADMINISTRATION</b>		
Triennial Valuation	Issue formal valuation results (including individual scheme employer details)	no later than 31 March following the valuation date)
Cessation Valuations	Carry out a cessation valuation exercise on cessation of admission agreements or scheme employer ceasing participation in the Pension Fund.	Initiated within 40 days with Fund Actuary plus results issued to scheme employer within 2 months of clean data
Exit Credit Determination	Where the cessation valuation identifies a funding surplus, carry out an exit credit determination and if appropriate pay an exit credit to the exiting employer.	6 calendar months from receiving the results of the cessation calculation.
Publish Governance Policy Statement	Publish, and keep under review, the Administering Authority's governance policy statement	Within 30 working days of policy being agreed by the Pensions Committee

Function	Task	Indicator
Publish Funding Strategy Statement	Publish and keep under review the Pension Fund's funding strategy statement.	To be reviewed at each triennial valuation, following consultation with scheme employers and the Fund's Actuary.  Revised statement to be issued with the final valuation report.
Publish Annual Report	Publish the Pension Fund annual report and any report from the auditor.	By 31 August following the year end
Provide scheme employer accounting reports	Provide an accounting valuation report to scheme employers, on request, for their chosen accounting date	Within one calendar month following the accounting date providing scheme employer has agreed to costs and returned required data by 1 <sup>st</sup> of the month in which the accounting date falls
<b>SCHEME ADMINISTRATION</b>		
Provide transfer-in quote	Provide transfer-in quote to scheme member	Letter issued within 10 working days of receipt of all appropriate information
Confirm transfer-in payment	Confirm transfer-in payment and service credited to scheme member	Letter issued within 10 working days of receipt of transfer payment by Pension Fund (or receipt of all information needed to complete calculations if later)
Notify scheme employer of scheme members' elections to pay or cease additional pension contributions	Notify the scheme employer of scheme member's election to pay or cease paying additional pension contributions and other contracts, including all required information to enable deductions to commence or finish.	Email sent within 5 working days of receipt of election from scheme member

Function	Task	Indicator
Employer estimate requests	Provide requested estimates of benefits to scheme employers including any additional funding strain costs in relation to early payment of benefits from ill health, flexible retirement, redundancy or business efficiency	Estimate in agreed format provided within 10 working days from receipt of all information
Member estimate request	Provide a maximum of one estimate of benefits to employees within 12 months of retirement per year on request.  <b>(Members can obtain their own estimate using their online pension account if more than 12 months from planned retirement date.)</b>	Estimate in agreed format provided within 15 working days from receipt of all information
Cash Equivalent Transfer Value	Provide a maximum of one cash equivalent transfer value (CETV) to employees per year on request	Provided within 10 working days from receipt of all information
Provide quotation for pension sharing order for divorce cases	Provide a divorce quotation to employees on request	Provided within 10 working days from receipt of all information
Issue Deferred benefit entitlement award	Notify leavers of deferred benefit entitlements.	Issue award within 20 working days of receiving all necessary information.
Issue retirement benefits award	Notify employees retiring from active membership of benefits award.	Issue award within 10 working days after payable date or date of receiving all necessary information if later.
Payment of pension benefits	Commence payment of ongoing pension (not including the first pension payment).	Eligible payments made on the publicised payment date.
Acknowledge death of an active/deferred/pensioner member	Acknowledge death of active/deferred/pensioner member.	Letter issued within 5 working days following notification of death
Respond to member and employer enquiries	Provide responses to enquiries from scheme members, scheme employers, personal representatives, dependents and other authorised persons	Full response within 10 working days from receipt of all information needed to respond to enquiry.

Function	Task	Indicator
Respond to member and employer enquiries	Where a full response will not be available within the published service standards send an acknowledgement and provide the expected timescale.	Acknowledgement within 5 working days from receipt of initial enquiry
Appoint an adjudicator for stage 2 of the internal disputes resolution procedure	Appoint “appointed person” for the purposes of considering stage 2 applications under the pension internal disputes resolution process and notify all scheme employers of the appointment	Within 30 working days following the resignation of the current appointed person”
Process applications for stage 2 if the internal disputes resolution procedure	Process all stage 2 pension dispute applications	Within two months of receipt of the application, or such longer time as is required to process the application where further information or clarification is required.

## Appendix D – Escalation Processes

### D1 Escalation process for provision of i-Connect

Stage	Actions	Response expected from scheme employer
1	The scheme employer/payroll provider is informed of non-compliance and the case is logged for future reference. The person who normally submits the monthly return will be contacted within 1 working day of the deadline being missed.	5 working days
2	Non-compliance will be escalated to the line manager of the person who normally submits the monthly return.	3 working days
3	Non-compliance will be escalated to the employer contact with overall responsibility for pension matters. The scheme employer will be informed that if the monthly return is not received by the end of the calendar month, charges will be raised to cover the cost of the additional work involved with late data processing.	End of calendar month
4	Non-compliance will be escalated to the most senior contact at the scheme employer to inform them of the failure to provide data and the charge due for non-compliance.	5 working days

### D2 Escalation process for individual queries

Stage	Actions	Response expected from scheme employer
1	Query to be raised with day-to-day contact at the scheme employer or payroll provider.	5 working days
2	Query to be escalated to the line manager of the day-to-day contact and scheme employer informed that: <b>Warning:</b> If a response is not received the benefit calculation will be made using the data provided and charges will be applied if a later recalculation is required. <b>Error:</b> A response must be received and the matter will be further escalated if the query is not resolved.	3 working days
3	<b>Warning:</b> Benefit calculation to be made using the data provided. <b>Error:</b> Query to be escalated to the employer contact with overall responsibility for pension related matters. Scheme employer warned that if the query is not resolved, assumptions will be made based on the correct data already held by the administering authority to ensure payment can be	3 working days

	made within expected timescales but the query will still be pursued. Any assumptions will be made in a way that favours the member.	
4	<b>Error:</b> The query will continue to be raised with the scheme employer and charges will be applied on a monthly basis until the query is resolved. Charges will be used to cover the cost of chasing the query and the recalculation of benefits, once resolved.	Immediately

### D3 Escalation process for bulk queries

Stage	Action	Response expected from scheme employer
1	Bulk queries to be sent to the day-to-day contact at the scheme employer or payroll provider.	Appropriate deadline to be agreed depending on the urgency, volume and complexity of the queries being raised.
2	If agreed deadline is not fully met and a new deadline has not been agreed, the outstanding queries will be escalated to the director or equivalent responsible for HR/Payroll matters within the scheme employer unless specifically instructed otherwise.	Urgent cases: 5 working days  Non-urgent cases: 10 working days
3	Outstanding queries to be escalated to the contact at the scheme employer with overall responsibility for pension matters. The scheme employer will be warned that if the issue is not resolved charges will be applied to recover additional costs.	Urgent cases: 3 working days  Non-urgent cases: 5 working days
4	Outstanding queries to be escalated to the most senior contact at the scheme employer and the additional costs incurred will be recovered from the scheme employer.	Urgent cases – 2 working days  Non urgent cases – 3 working days

## Appendix E - Circumstances where costs might be recovered

- E1 The circumstances where such additional costs will be recovered from the scheme employer are:
- Failure to provide information to the Administering Authority within the requirements of this strategy due to either missing required deadlines or providing poor quality information;
  - Failure to pass relevant information to the scheme member or potential members, either due to poor quality of information or not meeting the agreed timescales outlined in the performance targets in this strategy;
  - Instances where the poor performance of a scheme employer requires work carried out by the Administering Authority to be reversed and/or amended;
  - Failure to deduct and pay over correct employee and employer contributions to the Fund within the stated timescales;
  - Instances where the performance of the scheme employer results in fines being levied against the Administering Authority by the Pensions Regulator, Pensions Ombudsman or other regulatory body;
  - Failure to provide monthly membership data using i-Connect within the timescales set out in this strategy;
  - Instances where an act or failure to act by a scheme employer results in an unauthorised payment under the Finance Act 2004 which results in the Administering Authority being subject to a tax liability;
  - Instances where an act or failure of a scheme employer results in a benefit being incorrectly awarded and the subsequent overpayment is not able to be recovered from the scheme member;
  - Instances where an admission agreement is required/requested in relation to a transfer of staff but due to delays created by the scheme employer or the admission body, the agreement is not in place the transfer date;
  - Any other scenario where additional costs are incurred directly or indirectly as the result of poor performance by a scheme employer.
- E2 In the case of poor performance by a third-party HR/Payroll provider, on behalf of a scheme employer, the Administering Authority will first engage with the provider in the same manner as described above.
- E3 If any issues persist beyond initial attempts to resolve the matter, the scheme employer will be informed according to the escalation process set out above. If issues still persist, the scheme employer will be responsible for any additional costs incurred by the Administering Authority.
- E4 The value of any charges raised to recover additional costs incurred by the poor performance on a scheme employer will reflect the number of staff hours required dealing with the impacts of the employer's actions or inaction plus any additional fees incurred by third party providers that otherwise would not have been incurred.

E5 Any further costs incurred as a result of non-payment of invoiced additional costs will also be passed on to the relevant scheme employer.

E6 The charges below are an example of situations where charges will be raised and does not cover all possible scenarios. The charges shown in the table are also illustrative and the actual charges may be higher (or lower) depending on the scenario.

Employer Scheme Function/Administration process	Description	Illustrative
Monthly contribution payment	Late payment of employee, employer contributions including any additional pension contributions (APC/ARC/Added years) to the Administering Authority by the 19th of the month following deduction.	£100 if no interest charge Additional £120 if interest needs to be calculated  Interest payable at prevailing rate if payment more than 30 days late.
Provision of monthly contribution payment schedule	Schedule of payments not submitted to the Administering Authority by the 19 <sup>th</sup> of the month following deduction.	£100 per late submission
Provision of monthly membership data	Failure to submit i-connect return within 10 working days of the end of the relevant calendar month.	£400 per data file and a further £200 for each month the data is outstanding.  Any fines for breaches of statutory duties as a result of failure to provide data monthly will also be passed on to the scheme employer
Leavers (non-retirement)	Failure to provide a leaver notification, including leaving date and reason for leaving via i-Connect (including internal job moves)  Poor data provided including inaccurate pay	£70 per notification A further £45 for each month the notification is outstanding  £150 per record that needs to be recalculated.



	details resulting in a recalculation of deferred benefits or refund.	£100 for each record incorrectly reported as a leaver.
Incorrect reporting of starters and leavers <sup>5</sup>	Scheme employer incorrectly provides starter and leaver notifications resulting in a new pension record being created and the existing record changed to non-active and potential amalgamation of records that needs to be reversed.	£200 for each member incorrectly reported as leaving one employment and starting another.  This higher rate reflects the number of processes impact by such a notification and the work involved to reverse any action taken on the notification
Retirement	Scheme employer has not notified the administering authority that a member is due to retire within 10 working days before date of leaving.  Non-provision of retirement form, poor data detailed on the form – particularly inaccurate pay details.	£180 per notification  A further £80 for each month the notification remains outstanding  These higher rates reflect the fact the retiree will be chasing the administering authority for their pension
Data queries	Scheme employer has not responded to data queries and the escalation process has been exhausted.	£100 per omission A further £60 per month of non-response or unsatisfactory replies

<sup>5</sup> Starter and leaver notifications should only be received where there is a genuine change of employment, e.g. a member has changed job role within a scheme employer or left that employer entirely. Starter and leaver notifications should not be sent for a change to a member's current employment or payroll reference, or where a member is seconded to another role.

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# Northamptonshire Pension Fund Board Agenda Plan

Meeting date	Agenda item	Lead officer
25/1/2024	Administration Report [standing item]	M Oakensen
	Business Plan Update [standing item]	M Whitby
	Governance and Compliance Report [standing item]	M Oakensen
	Annual Report and Statement of Accounts [to note]	B Barlow
	Administration Strategy [pre scrutiny]	C Blose
	Data Retention Policy [post scrutiny] – exempt	M Whitby
	Risk Monitoring [standing item] – exempt	M Oakensen
	ACCESS Update [standing item] exempt	M Whitby
25/4/ 2024	Administration Report [standing item]	M Oakensen
	Business Plan Update [standing item]	M Whitby
	Governance and Compliance Report [standing item]	M Oakensen
	Communication Strategy [pre scrutiny]	C Blose
	AVC Report [post scrutiny] - exempt	M Oakensen
	Risk Monitoring – exempt	M Oakensen
	ACCESS Update – exempt	M Whitby
27/6/2024	Administration Report [standing item]	M Oakensen
	Business Plan Update [standing item]	M Whitby

Meeting date	Agenda item	Lead officer
	Governance and Compliance Report [standing item]	M Oakensen
	Northamptonshire Local Pension Board Effectiveness Review	M Oakensen
	Risk Monitoring [standing item] – exempt	M Oakensen
	ACCESS Update [standing item] exempt	M Whitby

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