



## Pensions Fund Committee

**A meeting of the Pensions Fund Committee will be held at the Jeffrey Room, The Guildhall, St Giles Street, Northampton, NN1 1DE on Tuesday 5 December 2023 at 4.00 pm**

### Agenda

1.	<b>Apologies for Absence and Notification of Substitute Members</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>Chair's Announcements</b> To receive communications from the Chair.
4.	<b>Minutes</b> (Pages 5 - 10) To confirm the Minutes of the meeting of the Committee held on 2 October 2023.
5.	<b>Administration Report</b> (Pages 11 - 26)
6.	<b>Business Plan Update</b> (Pages 27 - 52)
7.	<b>Governance and Compliance Report</b> (Pages 53 - 62)
8.	<b>Assurance report on potential breaches of the law</b> (Pages 63 - 80)
9.	<b>Admissions and Cessations</b> (Pages 81 - 86)

10.	<b>Pension Fund Annual Report and Statement of Accounts 2022-23</b> (Pages 87 - 206)
11.	<b>Northamptonshire Pension Committee agenda plan</b> (Pages 207 - 208)
12.	<p><b>Exclusion of Press and Public</b></p> <p>The following report(s) contain exempt information as defined in the following paragraph(s) of Part 1, Schedule 12A of Local Government Act 1972.</p> <p>Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information).</p> <p>Members are reminded that whilst the following item(s) have been marked as exempt, it is for the meeting to decide whether or not to consider each of them in private or in public. In making the decision, members should balance the interests of individuals or the Council itself in having access to the information. In considering their discretion members should also be mindful of the advice of Council Officers.</p> <p>Should Members decide not to make a decision in public, they are recommended to resolve as follows:</p> <p>“That under Section 100A of the Local Government Act 1972, the public and press be excluded from the meeting for the following item(s) of business on the grounds that, if the public and press were present, it would be likely that exempt information falling under the provisions of Schedule 12A, Part I, Paragraph(s) XXXXX would be disclosed to them, and that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.”</p>
13.	<b>Private minutes of the Pension Fund Committee 2 October 2023</b> (Pages 209 - 210)
14.	<b>Data Retention Policy</b> (Pages 211 - 220)
15.	<b>Risk Monitoring</b> (Pages 221 - 254)
16.	<b>Review of Investment Consultant Contract</b> (Pages 255 - 258)
17.	<b>ACCESS Update</b> (Pages 259 - 266)
18.	<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  
27 November 2023

**Pensions Fund Committee Members:**

Councillor Malcolm Longley (Chair)

Councillor Charles Morton (Vice-Chair)

Councillor Phil Bignell

Councillor Lloyd Bunday

Councillor Janice Duffy

Councillor Jamie Lane

Councillor Graham Lawman

Councillor Peter Matten

Councillor Cathrine Russell

Robert Austin

Peter Borley-Cox

Paul Wheeler

Andy Langford

Elnora Latchman

**Information about this Agenda**

**Apologies for Absence**

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.

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### **Queries Regarding this Agenda**

If you have any queries about this agenda please contact Maisie McInnes via the following:

Tel:

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

Or by writing to:

West Northamptonshire Council  
The Guildhall  
St Giles Street  
Northampton  
NN1 1DE





### **Pensions Fund Committee**

Minutes of a meeting of the Pensions Fund Committee held at Holding Room, The Guildhall, St Giles Street, Northampton, NN1 1DE on Monday 2 October 2023 at 4.00 pm.

#### **Present:**

Councillor Malcolm Longley (Chair)  
 Councillor Charles Morton (Vice-Chair)  
 Councillor Phil Bignell  
 Councillor Lloyd Bunday  
 Councillor Janice Duffy  
 Councillor Graham Lawman  
 Councillor Peter Matten  
 Paul Wheeler  
 Elnora Latchman

#### **Apologies for Absence:**

Councillor Jamie Lane  
 Robert Austin  
 Peter Borley-Cox

#### **Officers:**

Mark Whitby, Head of Pensions  
 Michelle Oakensen, Governance and Regulations Manager  
 James Smith, Assistant Director - Finance (Strategy)  
 Scott Peasland, Audit Manager  
 Anand Persaud, Principal Auditor  
 Jeverly Findlay, Committee Officer

#### 168. **Declarations of Interest**

Councillor Graham Lawman declared an interest as his wife was a deferred member of the LGPS. Councillor Phil Bignell declared an interest that his wife was an active, member of the LGPS.

#### 169. **Minutes**

##### **RESOLVED:**

That the minutes of the Investment sub-committee of 24 July 2023 be approved and signed as a correct record.

#### 170. **Chair's Announcements**

There were none.

171. **Internal Audit Report**

The Audit Manager 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 Pensions Committees, 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. The Head of Pensions added that the earliest that the reconciliation could be undertaken was in May after the financial year end; sometimes outstanding cases remained until December. The reconciliation needed to be undertaken before the next financial year end.

Further to an enquiry, the Head of Pensions noted that the risks regarding incorrect data would remain high as with over 300 employers providing data there was a chance that some of the data was poor quality. Employers were provided with training and control measures were in place.

The Committee congratulated the Pension team on the results of the audit.

**RESOLVED:** The Committee noted the contents of the report.

172. **Administration Performance Report**

The Governance and Regulations Manager presented the report and drew the Committee's attention to appendix 2 and the 2 red and 2 amber Key Performance Indicators (kpis); related to the payment of benefits for active and deferred Members. Two team leaders had been receiving training in preparation to replace leaver and maternity cover in August, the team itself was already contending with inexperience across all levels. The new team leaders seemed to be settling in to their new positions well. There had also been periods of annual leave, sickness and maternity leave. Following the release of Government Actuary Department factors a backlog had been created which had to be cleared. IN the longer term, Officers would be developed to become multi skilled to help with service resilience across teams.

The Administration Strategy would be submitted to the Committee in December for approval, and it would include a proposal to amend the turn around time for the retirement kpi to change from the current 5 days to a more achievable target.

**RESOLVED:** The Committee noted the contents of the report.

173. **Business Plan Update**

The Head of Pensions reported that the manual rectification of outstanding records for the Guaranteed Minimum Pension activity was on target for completion and was now at 25% and improving so this had changed to green. The service was ready for business as usual from 1 October with regard to the McCloud age discrimination remedy. The activity had moved to an amber rag status due to the delayed government consultation and accompanying response.

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 the non-listed (property, infrastructure, private equity, private debt) programme had been paused. Once a new project plan was agreed this would turn to Green.

Following the guidance to improve pension schemes' equality, diversity and inclusion (EDI), the Board members had completed a survey and the next stage would be to produce an action plan for the fund to improve EDI outcomes. There was a cost to training but this was modest. The approach would be aligned with WNC's approach to EDI.

**RESOLVED:**

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

174. **Governance and Compliance Report**

The Governance and Regulations Manager advised that the Pensions Dashboards revised staging timetable would be set out in guidance and all schemes in scope would need to connect by 31 October 2026. The staging timetable would indicate when schemes could connect. The regulator would determine a breach if the deadlines were not met. The decisions about connection could not be made until managers had considered the guidance. With regard to data matching there would be some flexibility with the criteria. For GDPR the focus would be on non-Members; contact would need to be made within 30 days and if they were only a partial match they would be deleted. The work on data improvement continued.

Updates to the McCloud remedy had been provided in the last 3 weeks and more 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. On 12 September AON had delivered training and the landing page on the website would be developed. In the short time frame provided this was considered to be positive. Technically the scheme was compliant, but rectification would be reviewed.

Further to an enquiry, the Governance and Regulations Manager advised that although the McCloud remedy could affect 15.2% of members, it would have to look at every trigger and the service was reliant on the development of software to review

retrospective cases. Procedures were in place already and the Head of Pensions added that the projected costs were small; although it would be a resource intensive process.

A working group had also been set up to consider the next steps with regard to the Gender Pensions Gap.

**RESOLVED:**

- (i) The Committee noted the Governance and Compliance Report.
- (ii) The Committee noted the immaterial amendments to be applied to the policies in section 6.12.2.

**175. Employers Admissions and Cessations**

The Head of Pensions advised that there had been three admitted bodies to the fund and six employers ceasing participation in the fund.

**RESOLVED:**

- (i) The Committee noted the admission of the following admitted bodies to the Northamptonshire Pension Fund and approve the sealing of the following admission agreements: Grange Transport Services, Dolce Limited (Little Harrowden Community Primary School) and Fresh Start Catering Limited (Innovate Multi Academy Trust).
- (ii) The Committee noted the exit of the following bodies from the Northamptonshire Pension Fund: Compass Contract Services Limited (Innovate Multi Academy Trust), Alliance in Partnership Limited (Magdalen College School), Caterlink UK Limited (Grange Primary Academy), Compass Contract Services Limited (Fairfields School), Champion School & Language College (Single Academy Trust) and Catch22 Multi Academy Trust.

**176. Forward Agenda Plan**

The Pension Services Financial Manager drew Members' attention to the Pension Fund Forward Agenda Plan.

**RESOLVED:** That the Northamptonshire Pension Fund Forward Agenda Plan be noted.

**177. Exclusion of Press and Public**

**The Chair moved that the remainder of the meeting be held in private:**

**That under Section 100A of the Local Government Act 1972, the public and press be excluded from the meeting for the following item(s) of business on**

**the grounds that, if the public and press were present, it would be likely that exempt information falling under the provisions of Schedule 12A, Part I, Paragraph(s) 3 would be disclosed to them, and that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.**

The meeting closed at 5.15 pm

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

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

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## West Northamptonshire Council

### Pension Fund Committee

5/12/2023

### Mark Whitby – Head of Pensions

<b>Report Title</b>	Northamptonshire Pension Fund – Administration Performance Report for the period 1 August to 31 October 2023.
<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>MO</b>	Sarah Hall on behalf of Catherine Whitehead	22/11/2023
<b>S151</b>	James Smith on behalf of Martin Henry	16/11/2023
<b>Head of Pensions</b>	Mark Whitby	9/11/2023

#### 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

#### **1. Purpose of Report**

- 1.1. To present to the Pension Fund Committee 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 on the following areas of administration:
  - 2.1.1 The achievement against the Key Performance Indicators for the period 1 August to 31 October 2023. For the period, 13 of the 21 KPI targets were achieved, with 1 amber and 7 red (section 6.1 & appendix A).

- 2.1.2 Progress on the development of the Pension Service Key Performance Indicators (section 6.1.2 & appendix B).
- 2.1.3 Timeliness of receipt of employee and employer pension contributions for the period 1 October 2022 to 30 September 2023, 99.9% of payments were received on time (section 6.2 & appendix C).
- 2.1.4 Occurrences of breaches of the law for the period 1 August to 31 October 2023. There were no material breaches in the period (section 6.3).
- 2.1.5 Details of any Internal Dispute Resolution Procedure cases during the period 1 August to 31 October 2023. There were no new Stage 1 administering authority disputes raised and a decision was made not to uphold one pre-existing Stage 1 administering authority dispute. (section 6.4).
- 2.1.6 Occurrences of material data breaches for the period of 1 August to 31 October 2023. There were no material data breaches in the period (section 6.5).
- 2.1.7 Details of any significant overpayment of pension for the period 1 August to 31 October 2023. There were no significant overpayments (over £3k) in the period (section 6.6).

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### **3. Recommendation**

- 3.1 The Pension Committee is asked to:
  - 1) note the contents of the report.
  - 2) approve a change to the KPI target for the payment of retirements benefits from active employment from 5 working days to 10 working days (section 6.1).

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### **4. Reasons for Recommendation**

- To ensure adequate oversight of the administrative performance of the Northamptonshire Pension Fund.
- To ensure good governance and compliance with the Local Government Pension Scheme Regulations and other relevant legislation and guidance.
- To align the KPI target for the payment of retirement benefits from active employment with industry standards.

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### **5. Report Background**

- 5.1 Pursuant to s101 of the Local Government Act 1972 and the Council's Constitution section 4.8 Para 1.1 the Pension Fund Committee's remit includes responsibility for dealing with all matters relating to the Northamptonshire Pension Fund Local Government Pension Scheme.
- 5.2 One of the core functions of the Pension Fund Committee 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 Committee.

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### **6. Issues and Choices**

#### 6.1 Key Performance Indicators

##### 6.1.1 Pension Service performance against Key Performance Indicators

- 6.1.1.1 The Pension Committee 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 August to 31 October 2023 can be found in appendix A along with the explanations for any underperformance.
- 6.1.1.2 Over the 3-month period, 13 of the 21 KPI targets have been met.
- 6.1.1.3 The team that processes retirement benefits had several contributing factors that led to KPIs being missed over the reporting period. The team contended with periods of annual leave



sickness and two inexperienced team leaders were receiving training in preparation to replace a leaver and a maternity cover in August. The team itself is inexperienced with ongoing training continuing to be delivered at different levels. In addition, the implementation of the McCloud remedy has increased workloads and queries.

- 6.1.1.4 Maternity leave across the wider Operations Team has impacted the ability to divert resources as required due to the back filing of those positions. In addition, following the release of the GAD factors, resource was allocated to clearing backlogs.
- 6.1.1.5 Performance is expected to improve by the end of the calendar year once the training requirements reduce at both officer and 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.
- 6.1.1.6 There was one isolated case of a missed target for September for providing a transfer in quote to scheme members and this was due to the volume of work within the team during a period a team leader was on leave. This is not expected to be an ongoing concern.
- 6.1.1.7 For additional context the average number of days for processing retirements from active status was 6.6 days during October 2023.
- 6.1.1.8 The particularly tight turnaround time for notifying active members of their benefits award is contributing to the missed targets and in line with industry standards as per CIPFA Benchmarking (15 Funds in scope – 1 Fund 1 month, 12 Funds 15 working days, 1 Fund 7 working days, 1 Fund 5 working days), Officers are seeking to revise this target to 10 working days to allow for sufficient processing time, especially in light of inexperienced team members needed a proportion of cases recalculating.

## 6.1.2 Development of the Pension Service Key Performance Indicators

- 6.1.2.1 Progress has been made on some areas of reporting with the new data encompassing the administration and employer performance as well as any delays from members.
- 6.1.2.2 Insights reporting has provided additional analysis for the information to be provided to new joiners, the functionality is not in place at this time for other areas and development options are being considered.
- 6.1.2.3 The new supplementary KPI information can be found in Appendix B.
- 6.1.2.4 Once the data set has expanded, the intention is to analyse any lower than desired KPI performance in Appendix B and target communications and interventions appropriately.

## 6.2 Receipt of employee and employer contributions

- 6.2.1 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.
- 6.2.2 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 October 2022 to 30 September 2023.
- 6.2.3 In July, August and September 2023 100% 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%.

## 6.3 Breaches of the Law

- 6.3.1 There are many laws relating to the Local Government Pension Scheme, with various individuals, including the Pension Committee and Local Pension Board 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.

6.3.2 For the period 1 August to 31 October 2023 having regard to the above, the following breaches of the law occurred.

Type of breach	Detail of breach	Course of action
Material	None	None
Non-material	28 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 B.

6.4 Internal Dispute Resolution Procedure cases

6.4.1 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.

6.4.2 The following tables detail that activity undertaken during the period 1 August to 31 October 2023 with regards to administering authority disputes.

6.4.3 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
Refusal to allow a retrospective change to the structure of the member's pension entitlement (pension/lump sum commutation)	21 July 2023*	5 October 2023 (extended from 22 September 2023)	Not upheld	4 October 2023

\*outside of 6 month time limit of initial decision, Head of Service exercised discretion to extend time limit.

6.4.4 Stage 2 disputes:

Nature of Stage 2 Dispute (WNC Monitoring Officer)	Date Received	Date Decision Due	Stage 1 Decision: Upheld/not upheld/partially upheld	Date of Decision
Disputing decision not to allow transfer of AVCs to alternative arrangement at retirement, maladministration in paying AVC entitlement to member following Stage 1 partially upheld adjudication	28 September 2023	27 November 2023		Ongoing

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

6.5 Material Data Breaches

6.5.1 None.

6.6 Significant overpayments of pension

6.6.1 None.

**7 Implications (including financial implications)**

**7.1 Resources and Financial**

7.1.1 Aon conducted the Key Performance Indicator review.

**7.2 Legal**

7.2.1 There are no legal implications arising from the proposals, as it is the view of Officers having taken into account all relevant legislation/regulation that the breaches reported in section 5.3.2 would not constitute a material breach and for the purpose of reporting to the Pension Regulator.

**7.3 Risk**

7.3.1 The mitigated risks associated with this report have 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

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 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.

#### **7.5 Consultation**

7.5.1 Not applicable. The Administration Report is a best practice report to ensure the Fund is managed appropriately and transparently.

Appendix A – Pension Service Administration Key Performance Indicators –August, September and October 2023

Function/Task	Indicator	Target	Month	Completed	Within Target	Over Target	% Within Target	RAG	Comments
Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information.		90%	August	156	140	16	90	Green	SLA target met
			September	175	172	3	98	Green	SLA target met
			October	155	153	2	99	Green	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%	August	26	17	9	65	Red	SLA target not met*
			September	48	35	13	73	Red	SLA target not met*
			October	35	21	14	60	Red	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%	August	85	64	21	75	Red	SLA target not met*
			September	50	36	14	72	Red	SLA target not met*
			October	68	48	20	71	Red	SLA target not met*
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	August	18	18	0	100	Green	SLA target met
			September	29	29	0	100	Green	SLA target met
			October	26	25	1	96	Green	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%	August	50	45	5	90	Green	SLA target met
			September	23	21	2	91	Green	SLA target met
			October	23	15	8	65	Red	SLA target not met*

Appendix A – Pension Service Administration Key Performance Indicators –August, September and October 2023

Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	August	17	17	0	100	Green	SLA target met
			September	22	20	2	91	Amber	SLA target not met**
			October	23	23	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%	August	37	36	1	97	Green	SLA target met
			September	23	22	1	96	Green	SLA target met
			October	13	12	1	92	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 – several contributing factors that led to KPIs being missed for August, September and October. The team contended with periods of annual leave and sickness and two inexperienced team leaders were receiving training in preparation to replace a leaver and a maternity cover in August. The team itself is inexperienced with ongoing training continuing to be delivered at different levels. In addition, the implementation of the McCloud remedy has increased workloads and queries.

Maternity leave across the wider Operations Team has impacted the ability to divert resources as required due to the back filing of those positions. In addition, following the release of the GAD factors, resource was allocated to clearing a divorce backlog.

Performance is expected to improve once the training requirements reduce at both officer and 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.

For additional context, the average number of days for processing retirements from active status is 6.6 days.

\*\* Provide transfer-in quote to scheme member – two cases were not processed in time leading to a missed KPI target for September. This was due to the volume of work within the team during a period of team leader annual leave.

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 October 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	60 75 77 89	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	61 73 77 55	Analysis has not been carried out but reasons why the cases would not be completed within the statutory target are: <ul style="list-style-type: none"> <li>• Interfund in - Further information is required from the previous LGPS pension fund.</li> <li>• Transfer in – Further information is required from the member, the previous scheme, or the employer.</li> </ul>
Provide details of transfer value for transfer out.	3 months from date of request.	July August September October	84 91 76 100	Analysis has not been carried out but reasons why the cases would not be completed within the statutory target are: <ul style="list-style-type: none"> <li>• Interfund out - Further information is required from the employer prior to finalising the deferred benefit and there is a backlog in these cases due to the volumes.</li> <li>• Transfer in – Further information is required from the employer prior to finalising the deferred benefit.</li> </ul>
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	100 100 100 95	Cases were not within the statutory target in October as a result of a backlog in checking being cleared in this month. 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 October 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.			This KPI still needs to be developed.
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.			Initial data in this area has been variable over the 4-month period and further information is required to understand the fluctuations and validity of the data.
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>			Initial data in this area has been variable over the 4-month period and further information is required to understand the fluctuations and validity of the data.
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.

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

Function/Task	Indicator	Month	% Within Target	Comments
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
October 2022	100	0	99.5	0.5
November 2022	100	0	99.8	0.2
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
Average for period	99.95	0.05	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



**West Northamptonshire Council**

**Pension Fund Committee**

**5 December 2023**

**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>MO</b>	Sarah Hall on behalf of Catherine Whitehead	22/11/2023
<b>S151</b>	James Smith on behalf of Martin Henry	16/11/2023
<b>Head of Pensions</b>	Mark Whitby	8/11/2023

**List of Appendices**

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

Appendix B – Cyber activity action plan – **exempt**.

Appendix C – 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.	Green
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 Committee 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.	On target.
Award contract.	January 2024.	On target.

- 6.1.3 Update: The invitation to tender documentation was published at the end of August with prospective bidders invited to submit responses by midday on 27 October 2023. The evaluation of responses was concluded in November and the contract will be awarded in January 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.

Key Milestones	Dates	On target for completion?
Issue invitation to tender to suppliers on the Framework.	October 2023.	Completed.
Evaluate Tender responses.	December 2023.	On target for rescheduled date.
Clarification interview/presentation	January 2024	On target
Award Contract.	February 2024.	On target.

6.2.3 Update: The invitation to tender documentation was published in October with prospective bidders invited to submit responses by the end of November. The evaluation stage has been rescheduled for December and a stage has now been added to the process where bidders will be invited for an in-person clarification interview and presentation. The chair of the pension committee will be invited to join and will be able to ask questions to inform the evaluation process but will not be part of the evaluation panel.

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.	On target.
Award contract.	December 2023.	On target.

6.3.3 Update: The invitation to tender 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 and the contract will be awarded in December.

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.

Key Milestones	Dates	On target for completion?
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.
Review new LGPS Framework offerings and internal Fraud Hub options.	Rescheduled to January 2024 (assuming Framework is released on schedule).	On target for rescheduled date
Develop approach for procurement of address and mortality screening services.	March 2024.	On target.

6.5.3 Update: A new contract has been entered into with Accurate Data Services on existing terms for a period of 12 months. In December 2023 the LGPS National Framework is due to be released and Officers will review alongside the Government Fraud Hub. The procurement approach will subsequently be developed by the end of March.

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.	Awaiting release of the Code.
Present action plan to the Pension Fund Committee and Pension Board.	TBC.	Awaiting release of the Code.
Present update on progress on action plan to the Pension Fund Committee and Pension Board.	TBC.	Awaiting release of the Code.

6.6.3 Update: The singular Code of Practice was due to be released by the Pensions Regulator in April 2023, but it did not materialise at this time. Once the Code is released funds will have 6 months to become fully compliant and an action plan will be developed to ensure this is achieved.

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: Activities are continuing to be undertaken against the Cyber Resilience Action Plan and three additional activities have also been added. The plan can be located in appendix B of the report (exempt).

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.	Awaiting release of the standards.

Key Milestones	Dates	On target for completion?
Present update on progress on action plan to the Pension Fund Committee and Pension Board.	TBC.	Awaiting release of the standards.
Implementation of activities requiring SAB and DLUHC guidance.	TBC.	Awaiting release of the standards.

6.8.3 Update: The good governance review standards are now due to be released early 2024.

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 was 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.	To be re-evaluated in January 2024.

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 have been temporarily diverted to processing of undecided leavers activity (6.13) until 1 January 2024 when resources will be returned to this activity. The project is estimated to conclude by 30 June 2024 should it recommence as planned.

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: DLUHC launched a further consultation on supplementary McCloud issues and draft regulations in May 2023 and a response was submitted on behalf of the Cambridgeshire Pension Fund. DLUHC subsequently announced the outcome of the consultation on 8 September, and laid The Local Government Pension Scheme Regulations 2023, which took effect from 1 October 2023.

Officers received training from Aon on 12 September 2023 in preparation of the changes. The Northamptonshire Pension Fund has 13,897 members (15,119 employment records) in scope of the remedy for which further guidance is awaited from DLUHC to apply the remedy and calculate any retrospective adjustments. Additional cases may come to light when other LGPS and Public Sector Service is identified putting current non eligible members into scope.

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. The next

step is to review LGA template letters received that satisfy the disclosure requirements and communicate these in the most effective manner. Communications have also been developed and uploaded to Member Self Service accounts to meet disclosure regulations, in addition supplementary signposting via email, newsletters and the website has been provided. For members who have opted out of electronic communications and deferred members where we do not hold an email address letters have been sent.

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. The administrator guidance is currently in development.

## 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 October 2023 the aged cases outstanding are down to 7,196, a drop of 1,277 cases (15%) from the revised April 2023 baseline and 1,713 cases (19.2%) down from the high point in November 2022. Progress during October was restricted due to the team’s resources being directed towards the implementation of the McCloud remedy. Due to the resourcing risks associated with McCloud this activity has been moved to a RAG status of Amber.

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 2025.	Revised timeline being set December 2023
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 to provide external advice and support in respect of the implementation of the RI Guidelines and, in particular, delivery of the reporting requirements. This activity has been moved back to a RAG status of Green following the re-commencement of non-listed activity.



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.
Republish Investment Strategy.	December 2023.	Complete.
Investment into long-lease property via ACCESS.	Q4 2024	On target.
Investment into timberland via ACCESS	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 are now scoping out a pooled offering, with a chosen supplier expected to be available by the end of 2024. In November 2023, the ISC approved a 3% allocation into the Aviva Lime Property Fund through ACCESS.

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.	Completed.

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.

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.	On target.

6.19.3 Update: The Pension Committee will be asked to formally consider an extension at the December Committee meeting. The maximum available extension is 3 years.

**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.

7.1.1 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)	(119,000)	(2,000)	Contributions in line with current membership numbers.
Transfers in from other pension funds	(10,500)	(18,000)	(7,500)	Demand led.
<b>Total income</b>	<b>(127,500)</b>	<b>(137,000)</b>	<b>(9,500)</b>	
Benefits payable	118,000	115,000	(3,000)	Benefits in line with current membership numbers.
Payments to and on account of leavers	10,000	10,300	300	Demand led.
<b>Total Payments</b>	<b>128,000</b>	<b>125,300</b>	<b>(2,700)</b>	
<b>Net (additions)/withdrawals from dealings with members</b>	<b>500</b>	<b>(11,700)</b>	<b>(12,200)</b>	
Management Expenses (Invoiced)	4,078	4,157	79	See below
Management Expenses (Non-Invoiced)	13,100	12,200	(900)	Fees from prior year plus actuarial growth assumption on AUM at June 23 to March 24.
<b>Total Management Expenses</b>	<b>17,178</b>	<b>16,357</b>	<b>(821)</b>	
<b>Total income less expenditure</b>	<b>17,678</b>	<b>4,657</b>	<b>(13,021)</b>	
Investment income	(31,000)	(24,600)	6,400	Actual income received to Q1 plus three estimated quarters.
Taxes on income	-	-	-	
(profit) and losses on disposal of investments and changes in the market value of investments	(138,000)	(158,000)	(20,000)	Actual Q1 return followed by actuarial long term growth assumption
<b>Net return on investments</b>	<b>(169,000)</b>	<b>(182,600)</b>	<b>(13,600)</b>	

Net (increase)/decrease in the net assets available for benefits during the year	<b>(151,322)</b>	<b>(177,943)</b>	<b>(26,621)</b>	
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<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	2,791	7	See below.
Total Governance Expenses	814	884	70	Payroll for final IHLI termination account from 2021 - not included in 23/24 budget. <sup>1</sup>
Total Investment Invoiced Expenses	480	482	2	
<b>Total Management Expenses</b>	<b>4,078</b>	<b>4,157</b>	<b>79</b>	

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<sup>1</sup> Settlement of ill health insurance with Legal and General. Delays in payments are due to allowing for an extended period after the policy end date to ensure no further claims will arise and updates to the data provided that required several iterations before accurately calculating the final settlement figure.

Administration Expenses Analysis	2023-24 Budget	2023-24 Forecast	Variance	Comments
	£000	£000	£000	
Staff Related	1,819	1,845	26	Budget based on estimated 23/24 pay rates, higher than expected pay awards received.
Altair administration and payroll system	397	377	(20)	
Data assurance	21	26	5	A more proactive approach to address tracing has been undertaken in preparation for Dashboards.
Communications	51	50	(1)	
Other Non-Pay and Income	29	26	(3)	
County Council Overhead Recovery	467	467	-	
<b>Total Administration Expenses</b>	<b>2,784</b>	<b>2,791</b>	<b>7</b>	

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

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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**

**Pension Fund Committee**

**5/12/2023**

**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>MO</b>	Sarah Hall on behalf of Catherine Whitehead	22/11/2023
<b>S151</b>	James Smith on behalf of Martin Henry	16/11/2023
<b>Head of Pensions</b>	Mark Whitby	7/11/2323

**List of Appendices**

Appendix A Skills and knowledge complementary training schedule

**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 Pension Committee 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)
- Skills and knowledge opportunities (6.4)

2.2 The report also provides details of any proposed immaterial amendments due to be made to policies or strategies as a result of Officer reviews (6.5).

**3. Recommendation**

3.1 The Pension Committee is asked to:

- 1) Note the Governance and Compliance Report.

2) Note the immaterial amendments to be applied to the policy in section 6.5.2.

#### **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 is 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 Committee 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.



## 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 Pension Service provides a link directly from the McCloud Remedy pages of the website and can be found [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 Teachers' excess service – TPS communications

- 6.2.6.1 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.
- 6.2.6.2 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.

## 6.2.7 Templates for member correspondence and disclosure article

- 6.2.7.1 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.
- 6.2.7.2 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
  - '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.
- 6.2.7.3 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.

## 6.3 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 DLUHC consultation on investment reforms

- 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.

6.3.3 Knowledge and Skills survey

6.3.3.1 The SAB Compliance and Reporting Committee issued a survey for completion by pension committee and local pension board members that closed on 6 November 2023.

6.3.3.2 The survey seeks to gather information on the experience of pension committee and local pension board members in obtaining the required knowledge and skills for their role. It builds on a survey issued earlier this year which also captured the views of officers. The data collected will not be shared on an individual or identifiable basis.

6.4 Skills and knowledge opportunities

6.4.1 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 Committee to maintain the necessary skills and knowledge to undertake their role effectively.

6.4.2 In addition, in order to facilitate the acquisition of skills and knowledge for members of the Pension Committee, appendix A lists the main events that are deemed useful and appropriate.

6.4.3 If members of the Pension Committee 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.

6.4.4 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. A copy of the Training Strategy can be found [here](#) for reference.

6.5 Northamptonshire Pension Fund Policy/Strategy updates

6.5.1 In March 2023 the Pension 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.

6.5.2 For the period the following non material amendments are due to be applied:

Policy/Strategy	Review reason	Amendments made
Data Improvement Policy	Officer annual review due.	None.
Cyber Strategy	Officer annual review due.	<ol style="list-style-type: none"> <li>1) Inserted a section on the roles and responsibilities relating to the Strategy and included delegated authority of the Committee.</li> <li>2) Growing risk has been replaced with significant risk.</li> <li>3) TPR Code of Practice references updated – due to be released early 2024.</li> <li>4) Changed administering authority references to ‘Fund’ for consistency throughout the Strategy.</li> <li>5) Added cyber security considerations to appointing or reappointing of advisors.</li> <li>6) Incident response plan wording changed to reflect it is now in place.</li> </ol>

6.5.3 The updated policy will be published on the Pension Service website following the noting of these changes.

## **7 Implications (including financial implications)**

### **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 Relevant legislation is referenced in the main body of the report.

### **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 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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Appendix A

**Training plan 2023/24**

Date	Training	Method of delivery	Delivered by	Target audience	Additional Information
<b>APR</b>					
<b>MAY</b>					
<b>JUN</b>	Local Authority Conference 2023	Conference – face to face	Pension and Lifetime Savings Association (PLSA)	Committee, Board & Officer	26-28 <a href="#">Local Authority Conference   PLSA (Cotswolds)</a>
<b>JULY</b>	Heywood Officer Conference	Conference – face to face	Heywood	Officer	12-13 July in Manchester
<b>AUGUST</b>					
<b>SEPTEMBER</b>	Investment and Pensions Summit	Conference – face to face	Local Government Chronicle (LGC)	Committee, Board & Officer	7-8 September in Leeds. <a href="#">LGC Investment &amp; Pensions Summit 2023 - Home Page (lgcplus.com)</a>
	McCloud training for administration teams	Virtual	Aon	Officer	12 September 2023
	Pooling Consultation	Virtual	In House	Committee & Board	19 September 2023
	Timberland training	Virtual	Mercer	Committee & Board	19 September 2023
<b>OCTOBER</b>					
<b>NOVEMBER</b>	Investor Day	Conference – face to face	LINK (Waystone)	Committee & Officer	30 November 2023 London

## Northamptonshire Pension Fund

### Appendix A

Date	Training	Method of delivery	Delivered by	Target audience	Additional Information
<b>DECEMBER</b>	Annual Conference 2022	Conference – face to face	Local Authority Pension Fund Forum (LAPFF)	Committee, Board & Officer	6-8 December 2023 Bournemouth.
<b>JANUARY</b>	Governance Conference	Conference – hybrid	Local Government Association (LGA)	Committee, Board & Officer	18-19 January 2024 (online/York)
<b>FEBRUARY</b>	Equality, Diversity and Inclusion (EDI)	TBC	Aon	Committee, Board & Officers	TBC
<b>MARCH</b>					





**West Northamptonshire Council**

**Pension Fund Committee**

**5 December 2023**

**Mark Whitby – Head of Pensions**

<b>Report Title</b>	<b>Northamptonshire Pension Fund Potential Breaches of the Law Report</b>
<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>MO</b>	Sarah Hall on behalf of Catherine Whitehead	22/11/2023
<b>S151</b>	James Smith on behalf of Martin Henry	16/11/2023
<b>Head of Pensions</b>	Mark Whitby	6/11/2023

**List of Appendices**

Appendix A – Details of potential breaches that fall within the LGPS Regulations.

Appendix B - Other regulatory requirements the Northamptonshire Pension Fund must adhere to.

**1. Purpose of Report**

- 1.1 The purpose of this report is to highlight potential breaches of the law in relation to the management and administration of the Fund. The report aims to provide assurance to the Northamptonshire Pension Committee that adequate controls are in place for both identifying and reporting such breaches.

**2. Executive Summary**

- 2.1 The below potential breach areas are covered by the Pensions Act 2004 and the Pensions Regulator's (TPR) Code of Practice and the detail for each can be found in sections 6.1-6.8 of the report.
- Knowledge and understanding
  - Conflicts of interest
  - Publishing information about schemes

- Scheme record keeping
- Internal controls
- Contributions
- Providing information to members
- Internal dispute resolution

2.2 The below potential breach areas are covered by the LGPS Regulations, the detail can be found in Appendix A of the report.

- Membership
- Contributions
- Pension accounts and benefits
- Strategies, statements and reports
- Actuarial valuations
- Payments
- Decisions
- Transfers
- Governance
- Investment

2.3 There are other regulatory requirements the Northamptonshire Pension Fund must adhere to; these are listed below. Details of the requirements in these areas are covered in Appendix B of the report.

- Finance Act and HMRC requirements
- Public Sector accessibility requirements
- Pensions Dashboards
- Data protection and information requests
- Data breaches

2.4 Section 6.9 of the report highlights potential Pensions Regulator consequences from breaches of the law.

### **3 Recommendation**

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3.1 The Pension Fund Committee is asked to note the potential breaches of the Northamptonshire Pension Fund and associated control measures.

### **4 Reasons for Recommendation**

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- To ensure adequate oversight of potential breaches for 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**

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5.1 As required by clause 70 of the Pensions Act 2004, and laid out in the TPR Code of Practice for Public Service Pension Schemes 14, certain individuals are required to report breaches of the law to TPR where they have reasonable cause to believe that:

- A legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with.

- The failure to comply is likely to be of material significance to the regulator in the exercise of any of its function.

5.2 Those who are subject to the reporting requirements (“reporters”) for public service pension schemes are:

- Scheme Managers i.e. pension committee members and officers involved in the management of the fund at the administering authority
- Members of pension boards
- Participating employers
- Professional advisers (this includes individuals such as the Fund’s external auditor, actuary, investment consultant, governance/benefit consultant and legal adviser)
- Any person who is otherwise involved in advising the managers of the scheme in relation to the scheme
- Any person who is otherwise involved in the administration of a public service pension scheme.

5.3 In addition to the legal requirements, TPR’s Code of Practice provides expectations that schemes should be satisfied that:

- those responsible for reporting breaches are made aware of the legal requirements and their guidance
- they have a sufficient level of knowledge and understanding to fulfil that duty and
- they have appropriate procedures in place to identify and assess

5.4 The Northamptonshire Pension Fund has in place a ‘Reporting Breaches of the Law to the Pensions Regulator Policy’ and this report is designed to be supplementary in providing detail of the types of potential breaches the Fund may encounter.

## 6 Issues and Choices

Details of potential breaches that fall within the Pensions Act 2004 and TPR’s Code of Practice are outlined below:

### 6.1 Knowledge and Understanding

6.1.1 Requirement: A member of the pension board of a public service pension scheme:

- must be conversant with the rules of the scheme, and any document recording policy about the administration of the scheme.
- must have knowledge and understanding of the law relating to pensions, and any other matters which are prescribed in regulations.

Controls in place	Measures against the controls & oversight
Training Strategy in place.	Regularly reviewed in line with approved review cycle and published on the Pensions Service website. Prescribed timescales for mandatory training to be undertaken and the Chair of respective Committee/Board is notified of non-compliance.

Controls in place	Measures against the controls & oversight
Training recorded in the Annual Report and statement of Accounts.	Annual Report published by 1 December each year. Draft and final report presented to the Committee and Board each year.
Adequate policies and strategies in place.	Regularly reviewed in line with approved review cycle and published on the Pension Service website (except Cyber).
Activities undertaken by the Committee and Board are reported to Full Council.	An annual report is approved by the Chair of the Pension Committee and taken to Full Council for oversight purposes. The Board's annual report is produced by Democratic Services and presented at a Board meeting prior to being taken to Full Council.

## 6.2 Conflicts of Interest

6.2.1 Requirement: The scheme manager must be satisfied:

- that a person to be appointed as a member of the pension board does not have a conflict of interest.
- from time to time, that none of the members of the pension board have a conflict of interest.
- each member or proposed member of a pension board must provide the scheme manager with such information as the scheme manager reasonably requires for the purposes of meeting the requirements referred to above.
- the pension board must include employer representatives and member representatives in equal numbers.

Controls in place	Measures against the controls & oversight
Conflicts of Interest Policy in place.	Regularly reviewed in line with approved review cycle and published on the Pension Service website.
Conflicts of Interest Register in place.	Declarations issued annually and the respective Chair is notified of any non-compliance.
Conflicts of interest training in place.	A link to COI training is sent with all declaration requests.
Constitution in place.	A Governance Policy and Compliance Statement is in place that reflects the WNC Constitution and is reviewed by officers annually. The Committee and Board structures are reflective of the Constitution.

## 6.3 Publishing information about Schemes

6.3.1 Requirement: The scheme manager for a public service scheme must publish information about the pension board for the scheme(s) and keep that information up to date. The information must include:

- who the members of the pension board are.
- representation on the board of members of the scheme(s).
- the matters falling within the pension board's responsibility.

Controls in place	Measures against the controls & oversight
Published information on the Committee and Board.	The Pensions Service website contains details of membership and remit of the Committee, ISC and Board. Democratic Services also publish membership details.
WNC Constitution in place.	The responsibility of the WNC Monitoring Officer and is maintained and reviewed by Democratic Services. The Constitution is published and contains the roles and responsibilities of the Committee, ISC and Board.
Governance Policy and Compliance Statement in place.	Regularly reviewed by Officers and material changes are approved by the Monitoring Officer. The Policy is published on the Pensions Service website and contains roles and responsibilities of the Committee, ISC and Board.

#### 6.4 Scheme Record Keeping

##### 6.4.1 Requirement: Scheme managers must keep records of information relating to:

- member information.
- transactions.
- pension board meetings and decisions.

Controls in place	Measures against the controls & oversight
Pension Administration System in place.	Holds information on all membership types and contains transactional information for all events such as transfers and retirements. Heywood is contracted to ensure the system is fit for purpose, data is secure, and the Fund continually cleanses data for accuracy. The administration system provides an audit trail of all activity undertaken and stores associated documentation.
Data Improvement Policy in place.	Regularly reviewed in line with approved review cycle and published on the Pensions Service website.
Data Improvement Plan in place.	Updated annually and presented to the Committee and Board.
Data scoring undertaken.	Common and Conditional data scores are a component of the Pension Regulator's annual Scheme Return which is mandatory.

Controls in place	Measures against the controls & oversight
Meetings undertaken in line with statutory obligations.	Meetings are co-ordinated by Democratic Services who ensure statutory obligations are adhered to in line with the Constitution. Minutes are taken at each meeting for a clear audit trail of any decisions made. Public items are published for transparency.

## 6.5 Internal Controls

6.5.1 Requirement: The scheme manager of a public service pension scheme must establish and operate internal controls. These must be adequate for the purpose of ensuring that the scheme is administered and managed in accordance with the scheme rules and in accordance with the requirements of the law. Internal controls refer to:

- arrangements and procedures to be followed in the administration and management of the scheme.
- systems and arrangements for monitoring that administration and management.
- arrangements and procedures to be followed for the safe custody and security of the assets of the scheme.

Controls in place	Measures against the controls & oversight
Task Management Processing.	The task management system contains procedural notes and checklists that are continually reviewed and updated by the Quality Assurance Officer. Training is also provided on procedural changes.
Policies and Strategies in place.	Regularly reviewed in line with approved review cycle and published on the Pensions Service website.
System reporting.	Workflow monitoring reports are produced by the Quality Assurance Officer on a weekly basis. Key Performance Indicator statistics are reported to the Committee and Board at every meeting via the Administration Report and operate under a RAG system basis.
Financial Transactions	Transactions entered within the system require managerial approval, staff who input the transaction cannot approve the transaction. These approvals are contingent upon the value associated with each transaction, with varying approval thresholds requiring different levels of authorisation. On a monthly basis, the approval hierarchy is subject to scrutiny and assessment by the Fund Accounting team.

Controls in place	Measures against the controls & oversight
Custodian in place.	Robust procurement process to appoint an appropriate custodian. Oversight from both the Investment Sub Committee and Pension Fund Committee.

## 6.6 Contributions

6.6.1 Requirement: Where employee contributions are deducted from a member's pay, the amount deducted must be paid to the managers of the scheme at the latest by the 19th day of the month following the deduction, or by the 22nd day if paid electronically (the 'prescribed period'), or earlier if required by scheme regulations.

Controls in place	Measures against the controls & oversight
Payment of Employee and Employer Contribution Policy in place.	Regularly reviewed in line with approved review cycle and published on the Pensions Service website.
Automated reconciliation process.	A defined process is in place to monitor the employer contribution payments to the Fund. An electronic return is completed by the employer and an automated check is carried out against the return and compares the amount received. The database flags any missed payments and/or returns for resolution.
Internal escalation Policy in place.	Where issues are not resolved within the Funding Team the issue is referred to the Employer's Team who will deal with the employer directly.
Pension Regulator Report where applicable.	Persistent late/non-payment of contributions may result in a late payment report being submitted to the Pensions Regulator. All employers reported to the Pensions Regulator are notified to the Committee and Board via the Administration Report.

## 6.7 Providing information to members

6.7.1 Requirement: The law requires schemes to disclose information about benefits and scheme administration to scheme members and others, this includes:

- Benefit Statements – both timescales and requirements relating to the content of annual benefit statements
- other information to be provided in other circumstances within defined timescales including: – basic scheme information
  - information about the scheme that has materially altered.
  - information about the constitution of the scheme.
  - information about transfer credits.
  - information about life styling.
  - information about accessing benefits.
  - information about benefits in payment.

Controls in place	Measures against the controls & oversight
Communication Plan in place.	Reviewed annually and presented to the Committee and Board for comment. The Communications Officer is responsible for delivering timely and accurate communications to appropriate audiences in a suitable manner. Scheme changes are covered by the disclosure regulations and must be communicated to affected members within 3 months, these are managed by the Communications Officer with support from the regulations team.
Constitution in place.	The WNC Monitoring Officer/Democratic Services are responsible for maintaining and publishing the constitution. There is a Fund specific Governance Policy & Compliance Statement in place that reflects the Constitution.
Pensions Service website in place.	Basis scheme information is accessible via the Pensions Service website. Officers are responsible for keeping it updated with current and accurate information obtained via national bodies such as the Local Government Association, Scheme Advisory Board and the Fund's governance advisors.
Cyclical processes.	Yearly processes built into work planning to ensure benefit statements are accurate and issued on time. These processes include reconciling year end data, the production of the statements and that effective communications are in place to ensure members are aware when they have been issued.
Key performance indicators.	A suite of KPI measures is in place to monitor both administrative performance against service level targets and statutory targets that measure the overall customer experience. The KPI measures ensure action can be taken at particular pressure points (within the service or with employers) and ensure members receive timely and accurate information.
Technical guidance.	The LGPC Annual Benefit Statements technical guide is used as a reference tool for ensuring the content of the statements is compliant.



- 6.8.1 Requirement: Scheme managers must make and implement dispute resolution arrangements that comply with the requirements of the law and help resolve pension disputes between the scheme manager and a person with an interest in the scheme. Scheme managers and specified persons must take the decision required on the matters in dispute within a reasonable period of receiving the application. They must notify the applicant of the decision within a reasonable period of having taken it.
- 6.8.2 Internal dispute resolution procedures must state the manner in which an application for the resolution of a pension dispute is to be made, the particulars which must be included in such an application and the manner in which any decisions required in relation to such an application are to be reached and given. The procedure must specify a reasonable period within which applications must be made by certain people.
- 6.8.3 Scheme managers must provide information about the scheme’s dispute resolution procedure as well as information about the Money and Pensions Service and the Pensions Ombudsman to certain people at certain stages.

Controls in place	Measures against the controls & oversight
Internal Dispute Resolution Procedure published and accessible.	The full process and statutory timescales are detailed in the administering authority decision guide. An internal control log to monitor stage 1 & 2 cases is managed by the Governance and Regulations Manager. Letters to the member include details on the Pensions Ombudsman and information on the Money and Pensions Service.
Comprehensive documentation.	IDRP documentation including guidance, claim forms and determinations cover all regulatory requirements and timescales. Appropriate adjudicators in place at stage 1 and 2 with clear separation of processes. Information on the Pensions Ombudsman and Money and Pensions Service provided at relevant stages.
Continual monitoring.	A monitoring log is in place to ensure that all stage 1 & 2 disputes are managed appropriately adhering to prescribed timescales.

6.9 Potential Pensions Regulator breach of the law consequences

- 6.9.1 The Pensions Regulator ensures that their decisions are proportionate, accountable, consistent, transparent and targeted. A risk based and proportional approach is taken when deciding whether to take enforcement action. The role of the regulator is to support those that they regulate and to change behaviours.
- 6.9.2 Enforcement options are considered once any evidence that has been obtained is analysed. The decision is based on the most proportionate means to achieve the desired outcome, taking into consideration how long enforcement action might take.
- 6.9.3 The potential outcomes fall into 5 categories as detailed below:

Prevention – an improvement notice may be issued to mitigate a breach being repeated in the future. The notice sets out the steps that must be taken to remedy the breach within a prescribed timeframe.

Remedy – an improvement notice may be issued as with above or a financial penalty may be imposed. A fixed penalty notice can be issued to encourage compliance, if this is not successful an escalating penalty notice can be issued. For persistent or subsequent non-compliance, a criminal sanction may be appropriate.

Restoration – if an act has detrimentally affected scheme benefits the aim will be for the members pension benefits to be put back to where they would have been if the breach had not occurred. A notice maybe issued to the Fund, and potentially penalty or criminal powers under the Pensions Act 2004 may be used in addition.

Deterrence – some contravention of pensions legislation cannot be put right or remedied. When these contraventions are persistent, indicate intentional non-compliance or that a criminal offence has been committed, powers may be used to punish and deter. In this scenario financial penalty or prosecution proceedings may be immediately pursued. The prosecution powers are generally reserved for the most serious behaviour, in particular dishonest, wilful or fraudulent. In some instances, these can lead to a criminal conviction. Each prosecution case is tested against the criteria set out in TPR prosecution policy.

Settlement – in some circumstances it may be appropriate to not pursue or continue action, this will not apply where civil or regulatory proceedings have commenced. The settlement should offer a fair and appropriate outcome having regard to the circumstances of the case and the statutory objectives. Each case will offer its own unique challenges and circumstances, so an acceptable settlement for one case may be very different from that for another, even if the same regulatory power is being used.

#### 6.10 Local Pension Board Review

- 6.10.1 The Local Pension Board reviewed the requirements and controls in place at its meeting of 2 November 2023 with no further recommendations made.

## **7 Implications (including financial implications)**

### **7.1 Resources and Financial**

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- 7.1.1 The Fund's governance advisors Aon produced an initial report that highlighted potential breach areas.

#### **7.1 Legal**

- 7.1.1 There could be legal implications if a breach of the law was to occur. Any actual breaches of the law would be captured in the Administration Reports presented to both the Committee and Board at every meeting.

#### **7.2 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
Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making.	Green
Risk of fraud and error.	Green
Failure to understand and monitor risk compliance.	Green
Lack of understanding of employer responsibilities which could result in statutory and non-statutory deadlines being missed	Green
Failure to recognise and manage conflicts of interest.	Green
Failure to administer the scheme in line with regulations and guidance.	Green
Failure to act appropriately upon expert advice and/or risk of poor advice.	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 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 put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary.
- 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 continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.

## **7.5 Consultation**

7.5.1 Not applicable.

## **8. Background Papers**

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8.1 Internal Audit Report - [Agenda for Pensions Fund Committee on Wednesday 12th October 2022, 1.00 pm - West Northamptonshire Council \(moderngov.co.uk\)](#)

Appendix A - Details of potential breaches that fall within the LGPS Regulations.

Potential breach area	Potential breach	Comments
Membership.	An employer not entering eligible employees into the scheme.	Employer responsibility. The Fund will communicate responsibilities with scheme employers and provide training and support.
Contributions.	Incorrect contribution rates applied by an employer.	Employer responsibility. Limited validation checks will be carried out by the Fund.
	Incorrect application of assumed pensionable pay by an employer.	
	Not deducting contributions correctly from what is defined as pensionable pay.	
Pension accounts and benefits.	Errors in calculating benefits.	Checking processes. Skills and knowledge. Pension software system. Quality Assurance Officer in post to check processes are fit for purpose. Escalation to Governance and Regulations team if any queries/unusual cases.
Strategies, statements and reports.	Missing the 1 December deadline for publishing the annual report.	The annual report is managed as a project to ensure all activities are undertaken to allow the annual report to be published on time. Relevant Committee and Board oversight factored in to meet the deadline.
	Not having all policies/statements in place as required by the regulations.	The Fund has in place an approved policy/strategy review cycle that the Committee and Board have oversight of. The Funds governance advisors provide advice in this area.
	Not publishing any policy/statement that is required to be published.	All policies and strategies are published on the Pension Service website.
Actuarial valuations	Not having triennial actuarial valuation documents finalised by the first anniversary from valuation date.	The Valuation Report is published following each triennial valuation. The Actuary is in place to ensure the process and delivery is adhered to. Committee and Board engagement on prescribed timescales to meet the deadline. Professional actuarial guidance and advice.

	Not having appropriate revised rates and adjustment certificates for existing employers or not publishing/providing copies in accordance with Regulation 66.	The rates and adjustments certificate is incorporated in the Valuation Report and therefore published in accordance with the above. Employers in the Fund are sent their individual rates alongside the Valuation Report.
Payments	Incorrect amounts of contributions paid by employers.	Employer responsibility.
	Late payment of contributions.	Payment of Employee and Employer Contribution Policy in place. Reconciliation of contributions. Escalation process in place.
	Late or non-provision of a remittance advice with payment.	Payment of Employee and Employer Contribution Policy in place. Reconciliation of contributions. Escalation process in place.
Decisions	Delays in decisions being made (noting the “as soon as reasonably practicable” requirement).	Monitoring of all complaints and IDRP stage 1 and 2 cases to ensure compliance with internal policy and statutory obligations. Performance monitoring in place to establish any delays to processes and subsequent delays in decisions being made.
	Not including appropriate information in notifications of decisions.	Comprehensive determination letters including sequence of events, reason for decision and what to do next if the member does not agree the decision.
	Employer not meeting notification procedures for required information on an ongoing basis and at year end in accordance with Regulation 80(2) (Regulation 80 – LGPS Regulations 2013).	Employer responsibility. Escalation and penalties in line with the Fund’s Administration Strategy.
	Not issuing annual benefit statements to all active, deferred and pension credit members and/or missing the 31 August deadline.	As per TPR Code of Practice response in main report (6.7).

Potential breach area	Potential breach	Comments
Transfers	Paying a transfer which is not a “recognised transfer” under the meaning of the Finance Act 2004.	LGPC technical transfer guidance is incorporated into business processes and adhered to. Internal processes in place to protect members.
	Not complying with the provisions of the Club Memorandum when paying a club transfer.	LGPC technical transfer guidance is incorporated into business processes and adhered to. Internal processes in place to identify the types of transfer arrangements and associated guidance notes.
	During a bulk transfer, not providing members with sufficient information in writing before agreement.	Communication work streams between the employer and pension funds are set up at the start of a bulk transfer process. Staged approach with information and guidance provided as well as actions to be undertaken flagged. All communication is documented and discussed at progress meetings.
	Not calculating a transfer to another administering authority in accordance with actuarial guidance issued by the Secretary of State (unless it relates to 10 or more members).	LGPC technical transfer guidance is incorporated into business processes and adhered to. Internal processes in place to identify the types of transfer arrangements and associated guidance notes.
Governance	Not appointing at least 4 members to the local pension board, in equal numbers of employer representatives and member representatives	3 member representatives and 3 employer representatives appointed to the Board as per the Constitution.
	Not being satisfied from time to time that none of the local pension board members has a conflict of interest.	Conflicts of Interest Register in place.

Potential breach area	Potential breach	Comments
Investment	Not holding a separate bank account for all fund money.	The Northamptonshire Pension Fund has a separate bank account.
	Not taking proper advice when formulating an investment strategy or the strategy not being in accordance with the Secretary of State's guidance.	Appropriate procurements of a Fund Investment consultant and Independent Investment Advisor. The investment consultant must be authorised by the FCA, and individual advisors should have the relevant experience and qualifications.
	Not investing in accordance with the investment strategy, any fund money that is not needed immediately to make payments from the fund.	All investment decisions are delegated and approved by the Investment Sub- Committee.
	Not setting out within the investment strategy, the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment.	The Funds strategic asset allocation is set out in the Fund's investment strategy statement and reviewed periodically by the Investment Sub-Committee and approved by the Pension Committee.
	Not reviewing the investment strategy at least every 3 years or not publishing it.	The investment strategy statement is reviewed and approved by the Pension Committee of the Fund at least every 3 years.
	The authority borrowing money if, at the time of the borrowing, the authority does not reasonably believe that the sum borrowed, and interest charged in respect of that sum can be repaid out of its pension fund within 90 days of the borrowing.	No applicable as the Fund does not borrow money for its operations.



Appendix B - Other regulatory requirements the Northamptonshire Pension Fund must adhere to

Regulatory area	Potential breach	Comment
Finance Act and HMRC requirements	Missing deadlines for Pension Saving Statements (PSSs)	The issuing of PSSs is part of the cyclical annual allowance process. The Committee and Board are notified of any breaches via the Administration Report.
	Missing other notifiable events requirements	Quarterly reports are submitted to the HMRC that cover annual allowance charges/lifetime allowance charges/short service refund lump sum charges and special lump sum death benefit changes which are all generated through BAU processes and actioned by the Funding Team. Event reporting which includes PSS statements, benefit crystallisation and lifetime allowance, ceased ill health pensions and unauthorised payments is undertaken on an annual basis and are generated through BAU processes and actioned by the Funding Team.
Public Sector accessibility requirements	Not meeting accessibility standards or not publishing an accessibility statement on the Pensions Service website.	Accessibility checks are made on all website content and an accessibility statement is published on the website. <a href="#">Accessibility statement for Cambridgeshire and Northamptonshire LGPS</a>
Pensions Dashboards	Missing the staging date for pensions dashboards.	Following TPR checklist and guidance to be prepared for the 31 October 2026. Further guidance is awaited on the staging timescale since the project reset. National guidance and regional group support.
	Not providing information to the dashboards in line with the prescribed deadlines set.	Following TPR checklist and guidance to be prepared for the 31 October 2026. Further guidance is awaited on the staging timescale since the project reset. National guidance and regional group support.
Regulatory area	Potential breach	Comment

Data protection and information requests	Not responding to requests from members in line with GDPR requirements including data subject access requests and right to withdraw.	<p>The Northamptonshire Pension Fund follows the West Northamptonshire Council Data Protection Policy and has a privacy notice published on the Pensions Service website stating how the Fund uses personal data.  <a href="https://www.westnorthants.gov.uk/data-protection-policy">Data protection policy   West Northamptonshire Council (westnorthants.gov.uk)</a>.</p> <p><a href="#">Privacy summary Northamptonshire Pension Fund</a></p> <p>Subject access requests and rights are covered by the West Northamptonshire Council FOI process.  <a href="https://www.westnorthants.gov.uk/make-a-freedom-of-information-foi-request">Make a Freedom of Information (FOI) request   West Northamptonshire Council (westnorthants.gov.uk)</a></p>
	Not complying with UK General Data Protection Regulations.	<p>The Northamptonshire Pension Fund follows the West Northamptonshire Council Data Protection Policy and has a privacy notice published on the Pension Service website stating how the Fund uses personal data.  <a href="https://www.westnorthants.gov.uk/data-protection-policy">Data protection policy   West Northamptonshire Council (westnorthants.gov.uk)</a>.</p> <p><a href="#">Privacy summary Northamptonshire Pension Fund</a></p>
Data breaches	Not notifying the Information Commissioners Office (ICO) within 72 hours of becoming aware of a network and information systems (NIS) incident where there is substantial impact on the provision of your digital service	<p>The Northamptonshire Pension Fund follows the West Northamptonshire Council Data Protection Policy on reporting data breaches which is compliant with the ICO reporting requirements.  <a href="https://www.westnorthants.gov.uk/data-protection-policy">Data protection policy   West Northamptonshire Council (westnorthants.gov.uk)</a>.</p>



## West Northamptonshire Council

### Pension Committee

5/12/2023

### Mark Whitby – Head of Pensions

<b>Report Title</b>	<b>Employer Admissions and Cessations Report</b>
<b>Report Author</b>	Cory Blose, Pensions Service Employer and Communications Manager, <a href="mailto:Cory.Blose@westnorthants.gov.uk">Cory.Blose@westnorthants.gov.uk</a>

#### Contributors/Checkers/Approvers

<b>MO</b>	Sarah Hall on behalf of Catherine Whitehead	22/11/2023
<b>S151</b>	James Smith on behalf of Martin Henry	16/11/2023
<b>Head of Pensions</b>	Mark Whitby	8/11/2023

#### List of Appendices

None

#### 1. Purpose of Report

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- 1.1 To report the admission of one admitted body to the Northamptonshire Pension Fund.
- 1.2 To report the entry of one designating body to the Northamptonshire Pension Fund.
- 1.3 To notify the Committee of one employer ceasing participation in the Northamptonshire Pension Fund.
- 1.4 To update on previously reported cessations.

#### 2. Executive Summary

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- 2.1 The Committee is asked to note the admission of one transferee admission body, Innovate Services, and to approve the sealing of the admission agreement.
- 2.2 Kingsthorpe Parish Council passed a resolution designating their deputy clerks as eligible for the LGPS, backdated to the start of their employment.

- 2.3 The Committee is also asked to note the exit of one employer from the Fund, Pathfinder Legal Services.
- 2.4 The Committee is also asked to note an update on two previously reported cessation cases where the funding assessment identified a surplus resulting in an exit credit determination.

### **3. Recommendations**

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3.1 The Pension Committee is asked to:

3.1.1 Note the admission of the following admitted body to the Northamptonshire Pension Fund and approve the sealing of the admission agreement;

- Innovate Services

3.1.2 Note the entry of the following resolution body to the Northamptonshire Pension Fund;

- Kingsthorpe Parish Council

3.1.3 Note the exit of the following bodies from the Northamptonshire Pension Fund:

- Pathfinder Legal Services

3.1.4 Note the update on previously reported cessations relating to:

- Voice for Victims
- Wellingborough Norse

#### **3.2 Reason for Recommendations**

3.2.1 The admission for Innovate Services falls under paragraph 1(d)(i) of Part 3 of Schedule 2 to the Local Government Pension Scheme Regulations 2013 (the Regulations) and all parties have signed admission agreements where they agree to meet the requirements of the Regulations. The Pension Fund Committee therefore must admit these bodies to the Fund, as required by Part 3, 13 of the Regulations.

3.2.2 The minutes confirming The Committee's approval are required as evidence alongside any agreements before sealing can be arranged by the Fund's legal support.

3.2.4 It is good practice to ensure that The Pension Fund Committee are aware of any employer movements within the scheme, to ensure any financial implications (7.1), risk implications (7.8) and decisions in relation to Relevant Pension Fund Objectives (7.11) are appropriately managed.

## 4 Report Background

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- 4.1 The Local Government Pension Scheme Regulations 2013 (as amended) (the Regulations) provide for the admission of a number of different types of body to the Local Government Pension Scheme; scheduled bodies, designating bodies, and admission bodies.
- 4.2 The Regulations also require that, following the exit of an employer from the Fund, the administering authority carry out an assessment of its funding position on the date of exit.
- 4.3 The Fund's cessations policy sets out how the Fund will assess the funding position of an exiting employer and the Fund's policies on the collection of exit debits and determination of the value of any exit credit payable to the exiting employer.
- 4.4 This report provides an update on admissions to and cessations from the Northamptonshire Pension Fund since the last meeting of the Pension Committee, including the collection and payment of any exit debits or credits.

## 5 Issues and Choices

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### 5.1 New Admission Bodies

- 5.1.1 Paragraph 1 of Part 3 of Schedule 2 to the Regulations provides for an Administering Authority to make an admission agreement with an admission body, enabling employees of the admission body to be active members of the Local Government Pension Scheme.
- 5.1.2 A body which falls under paragraph 1(d)(i) of Part 3 of Schedule 2 is an admission body that is providing a service, in connection with the function of a scheme employer, as the result of a transfer of service or assets by means of a contract or other arrangement.
- 5.1.3 Where an admission body of the description in paragraph 1(d)(i) undertakes to meet the requirements of these Regulations, the appropriate administering authority must admit to the Scheme the eligible employees of that body.
- 5.1.4 The Pension Committee is asked to note the admission of the following bodies into the Northamptonshire Pension Fund and to approve the sealing of the admission agreements.

Date of admission	New Admission Body	Background Information
1 April 2023	Innovate Services Limited	Innovate Services Limited entered into a contract with Magdalen College School Brackley Academy Trust to provide catering services. As a result, a group of employees were transferred to the admission body and a pass through admission agreement has been put in place. This agreement has been backdated to 1 April 2023 and backdated contributions have been collected. The assets and liabilities have been retained by Magdalen College School Brackley Academy Trust.

### 5.2 New Designating Bodies

- 5.2.1 Regulation 3 (1) of the Regulations provides for a person employed by a body listed in Schedule 2 and is designated, or belongs to a class of employees designated, by the body, to be an active

member of the Local Government Pension Scheme.

- 5.2.2 The designating body has to pass a resolution to designate employees as eligible for membership of the Local Government Pension Scheme.
- 5.2.3 Paragraph 2(a) of Part 2 of Schedule 2 provides for a precepting authority within the meaning of section 69 of the Local Government Finance Act 1992 (interpretation) to be a designating body.
- 5.2.4 The Committee is asked to note that the following employer is a designating body by means of being a precepting authority within the meaning of paragraph 2(a) of Part 2 of Schedule 2 to the Regulations and that they have passed a resolution.

<b>Date of admission</b>	<b>New Admission Body</b>	<b>Background Information</b>
1 April 2022	Kingsthorpe Parish Council	Kingsthorpe Parish Council passed a resolution designating their two deputy clerks as eligible for the LGPS from the start of their employment.  The membership for the staff was backdated to 1 April 2022 which was the starting date of their employment.

### **5.3 New Cessations**

#### **5.3.1 Pathfinder Legal Services (WNC)**

- 5.3.2 Pathfinder Legal Services(PLS) were a designating body in the Fund by virtue of being a body connected to Northamptonshire County Council and later its successor bodies West Northamptonshire and North Northamptonshire Councils (WNC/NNC) as PLS was partly owned by both Councils. PLS became an employer in the Fund after passing a resolution to designate eligible staff as being eligible for membership of the LGPS from 1 April 2015.
- 5.4.3 WNC and NNC relinquished their ownership shares with effect from 30 June 2023 meaning PLS is no longer “connected with” either body, as defined by the regulations and is therefore no longer a designating body. A small group of PLS employees will continue providing services to the Northamptonshire Children’s Trust and an admission agreement will be put in place shortly to facilitate their ongoing membership of the Northamptonshire Fund. The remaining staff will no longer be eligible for membership of the Northamptonshire Fund and will become deferred members. Arrangements are being made for them to continue membership in a different Fund. No exit debit or credit will be required as the pension liabilities were retained by WNC and NNC.

### **6 Previously Reported Cessations**

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- 6.1 The cessation of Voice for Victims was originally reported at the June 2023 meeting of the Pension Fund Committee.
- 6.1.1 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.

- 6.2 The cessation of Wellingborough Norse was originally reported at the June 2023 meeting of the Pension Fund Committee.
- 6.2.1 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.

## 7 Implications (including financial implications)

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### 7.1. Resources and Financial

- 7.1.1 Actuarial costs incurred by obtaining a calculation of the employer’s contribution rate and opening funding position at commencement are recharged directly to the employer.
- 7.1.2 The employer contribution rate contains an allowance for administration charges, and the employer is charged a fee to recover the Funds administration costs of on boarding new employers and terminating ceased employers. This means that admissions and cessations should be cost neutral.
- 7.1.3 Where an exit credit is determined to be greater than nil, a payment will need to be made to the exiting employer. This payment may be all or part of the overall surplus of assets so the liabilities will continue to be at least full funded at the date of cessation.

### 7.2. Legal

- 7.2.1 Admitted bodies enter into an admission agreement with the administering authority in order to become an employer within the Northamptonshire Pension Fund. This agreement sets out the statutory responsibilities of an employer, as provided for under the Regulations governing the LGPS.
- 7.2.2 Exit credit determinations can be appealed by the exiting employer under the Fund’s internal dispute resolution procedure and ultimately the Pensions Ombudsman.

### 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
Failure to administer the scheme in line with regulations and guidance	Green
Failure to provide relevant information to the pension Committee/Pension Board to enable informed decision making	Green
Fund assets are not sufficient to meet obligations and liabilities.	Amber

- 7.3.2 Please see the [Northamptonshire Pension Fund Risk Register](#) for full details

## **7.4 Relevant Pension Fund Objectives**

7.4.1 The following objectives have been considered in this report -

- 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 continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
- To ensure appropriate exit strategies are put in place both in the lead up to and on termination of a scheme employer.

## **7.5 Consultation**

7.5.1 Contribution rate and bond assessments are undertaken by Hymans Robertson, the Fund Actuary.

7.5.2 The Fund Actuary is consulted with upon the exit of any employer from the Fund.

7.5.3 Advice was received from the Fund's Actuary on individual admission and cessation cases, where required.

7.5.4 A precedent admission agreement has been drafted by Squire Patton Boggs, specialist pension legal advisers.

## **8 Background Papers**

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None





## West Northamptonshire Council

### Pensions Committee

05/12/2023

### 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, <a href="mailto:Ben.Barlow@Westnorthants.gov.uk">Ben.Barlow@Westnorthants.gov.uk</a></b>

#### Contributors/Checkers/Approvers

<b>West MO</b>	Sarah Hall on behalf of Catherine Whitehead	22/11/2023
<b>West S151</b>	James Smith on behalf of Martin Henry	16/11/2023
<b>Head of Pensions</b>	Mark Whitby	06/11/2023

#### List of Appendices

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

**Appendix B – Grant Thornton’s ISA260 Audit Results Report 2022-23**

#### **1. Purpose of Report**

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- 1.1 To present the final Annual Report and Statement of Accounts of the Pension Fund and audit results report for the 2022-23 financial year.

#### **2. Executive Summary**

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- 2.1 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.
- 2.2 The report covers the key changes to the final Annual Report. There is one corrected misstatement of £7.6m identified during audit, due to estimates used for level 3 investments. There have also been a small number of disclosure adjustments required, these have been amended in the accounts.

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

### **3. Recommendations**

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3.1 The Pension Committee is asked to:

- a) Approve the Annual Report of the Pension Fund for the 2022-23 financial year;
- b) Note the final Statement of Accounts and;
- c) Note the findings of external audit documented in the ISA260.

### **4. Reason for Recommendations**

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4.1 The Pension Committee are responsible for approving the Annual Report for the Northamptonshire Pension Fund and providing assurance to Audit and Governance Committee for the Statement of Accounts. The Audit and Governance Committee are responsible for approving the Statement of Accounts as these form part of the overall Administering Authority's Statement of Accounts.

### **5. Report Background**

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5.1 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.

5.2 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.

5.3 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).

5.4 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.

5.5 The structure and content of the Annual Report is governed by guidance issued by the CIPFA in compliance with Regulation 57 of The Local Government Pension Scheme Regulations 2013 (as amended).

### **6. Key Changes from Draft Accounts**

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6.1 The draft Annual Report and Statement of Accounts was brought to Committee at the July meeting. The below sets out the changes from the draft report and final report:

6.1.1 £7.6m adjustment made to Private Equity, Infrastructure and Property following 31 March 2023 valuations,

6.1.2 Page 3 - Inclusion of the Chair's Foreword,

- 6.1.3 Page 28 and 82– ACCESS information as at 31<sup>st</sup> March 2023
- 6.1.4 Page 29 – Inclusion of Cost Transparency details,
- 6.1.5 Page 34 – Updated TCFD Reporting,
- 6.1.6 Page 58 – Note about fees paid to auditors during the year
- 6.1.7 Page 79 – Adjusted 31 March 2022 actuarial present value of promised retirement benefits
- 6.1.8 Page 81 – Adjusted contractual commitments figure

## **7. Findings and feedback from External Audit fieldwork**

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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 show in Appendix D of the results report.

7.5 There are two recommendations for management listed below, 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.

7.6 The Final version of the Annual Report and Statement of Accounts will be published on the Fund’s website.

## 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 No.	Risk	Residual risk rating
4	Contributions to the Fund are not received on the correct date and/or for the correct amount	Amber
5	Fund assets are not sufficient to meet obligations and liabilities.	Amber
7	Information may not be provided to stakeholders as required	Green
9	Those charged with governance are unable to fulfil their responsibilities effectively	Green
10	Risk of fraud and error	Green
15	Custody arrangements may not be sufficient to safeguard Pension Fund assets.	Green
17	Failure to administer the scheme in line with regulations and guidance.	Green
19	Pension Fund investments may not be accurately valued.	Green
25	Investment decisions and portfolio management may not achieve the return required or be performed in accordance with instructions provided.	Green

The Fund's full risk register can be found on the Fund's website at the following link:

[Key documents \(NCC\) - Cambridgeshire and Northamptonshire LGPS \(westnorthants.gov.uk\)](https://www.westnorthants.gov.uk/key-documents/ncc-cambridgeshire-and-northamptonshire-lgps)

### 8.4 Relevant Pension Fund Objectives

8.4.1 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 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.

## 8.6 **Consideration by Overview and Scrutiny**

8.6.1 No consideration by Overview and Scrutiny is required.

## 8.7 **Climate Impact**

8.7.1 This an information update paper only. There are no climate impact considerations arising as a direct result of this paper.

## 8.8 **Community Impact**

8.8.1 There are no community impact implications.

## 8.9 **Communications**

8.9.1 The final Annual Report and Statement of Accounts will be made available to the public by publication on the Fund's website. The documents will also be shared with the Local Government Association.

## 9. **Background Papers**

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9.1 Note applicable.

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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

<u>Partners</u>		<u>Asset Managers (Continued)</u>	
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*	
<u>Asset Managers</u>		UBS Asset Management	
Adams Street Partners		<u>AVC Providers</u>	
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).

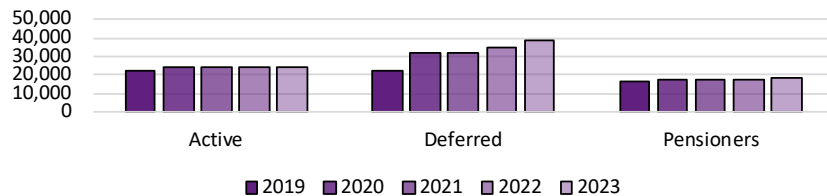
The Fund is a qualifying scheme under the automatic enrolment regulations and can be used by employers to automatically enroll eligible employees, and every three years re-enrol anyone who opts out of the scheme.

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*
Brightn 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:

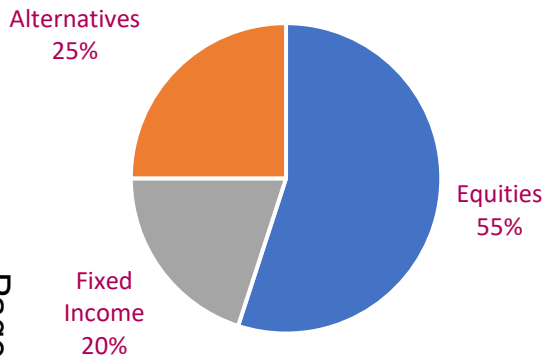
- To reach full funding and be in a position to pay benefits as they fall due; and
- To ensure contributions remain affordable to employers

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:

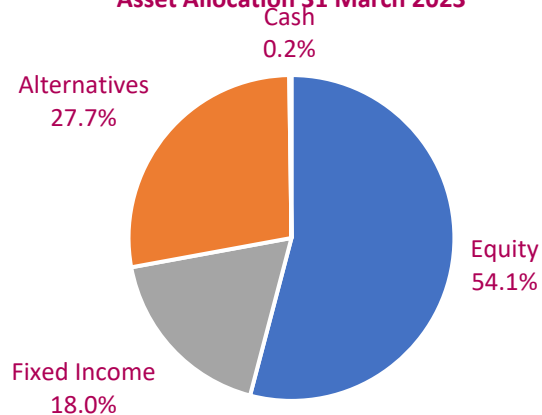
- Reduce the equity allocation by 12.5%, removing the standalone UK equity allocation and retaining the passive equity allocation at 20%;
- Increase fixed income (+10%) and alternatives (+2.5%) allocations to provide greater exposure to inflation linked, cashflow generative assets while protecting the 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.

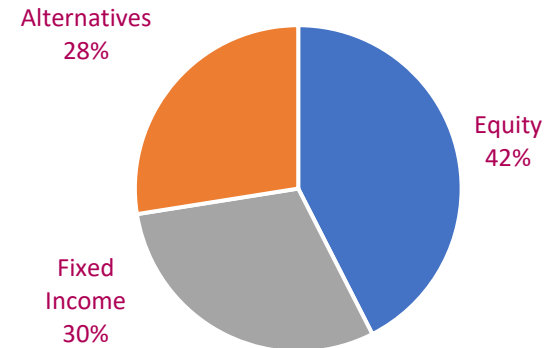
Strategic Allocation at 31 March 2023



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

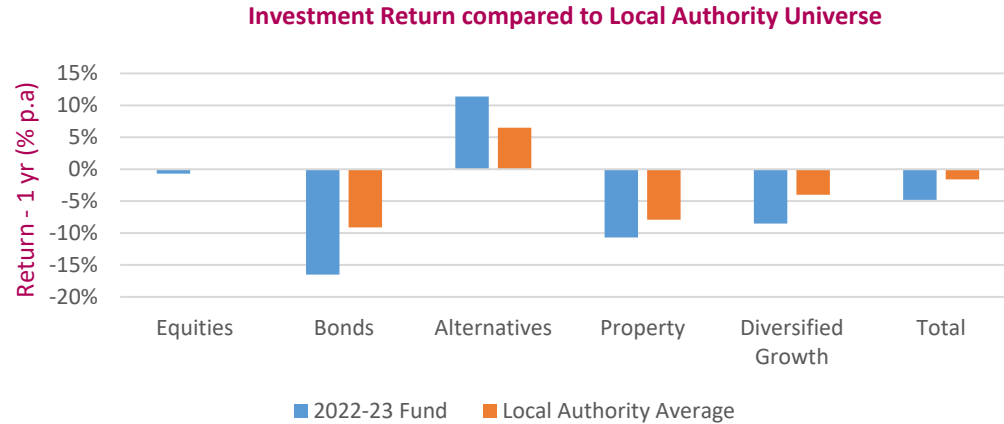
n/a = Not invested for the full period therefore no meaningful performance measure is available

# Investment Policy and Performance (continued)

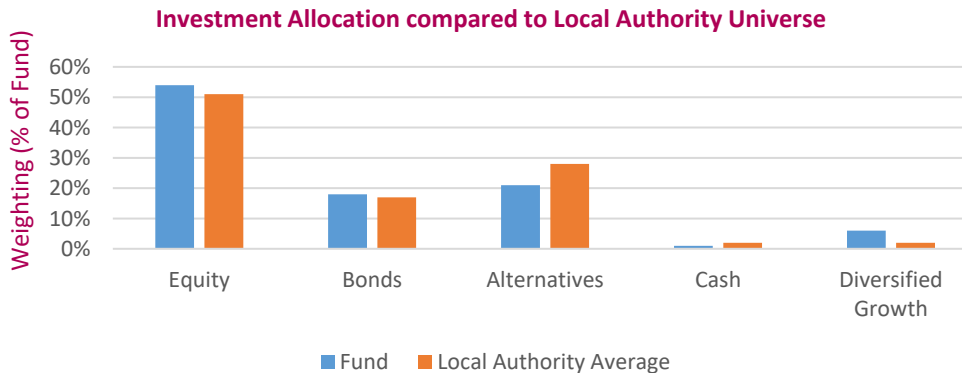
## Performance in Comparison with Local Authority Universe

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.**

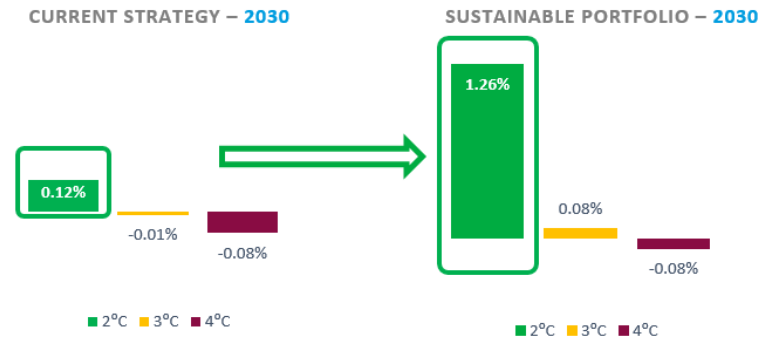
## Resilience of the Fund's investment strategy

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.

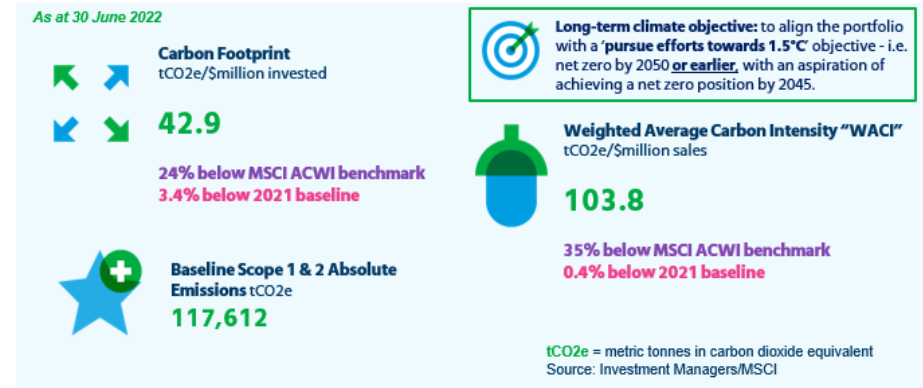
The carbon footprint metric instead normalises absolute emissions by the amount of assets invested. The Fund will continue to track both absolute emissions and WACI too as each metric provides a slightly different insight as to the nature of the companies held within portfolios.

## 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.

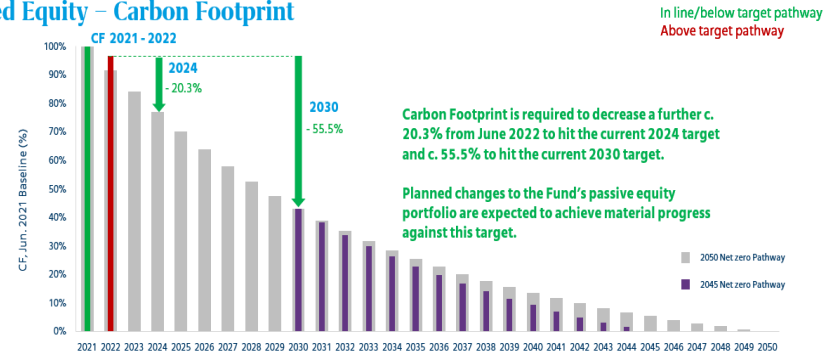
The dashboard will be updated on an annual basis.



## 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

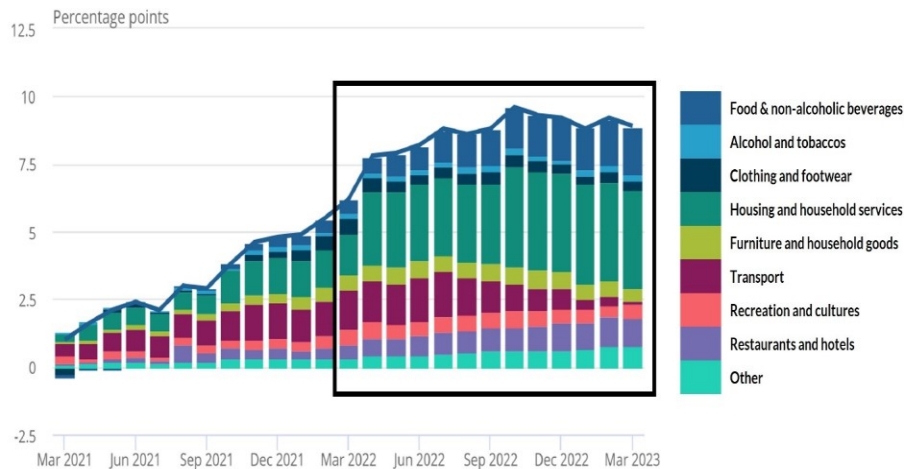
With the continuing war in Ukraine, and China sticking firmly to its ‘One China’ policy over Taiwan in word and deed, the global political arena continued to be tense with the wide-ranging implications of both actions. European resolve over sanctions held firm against Russia’s aggression, but real concerns 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.

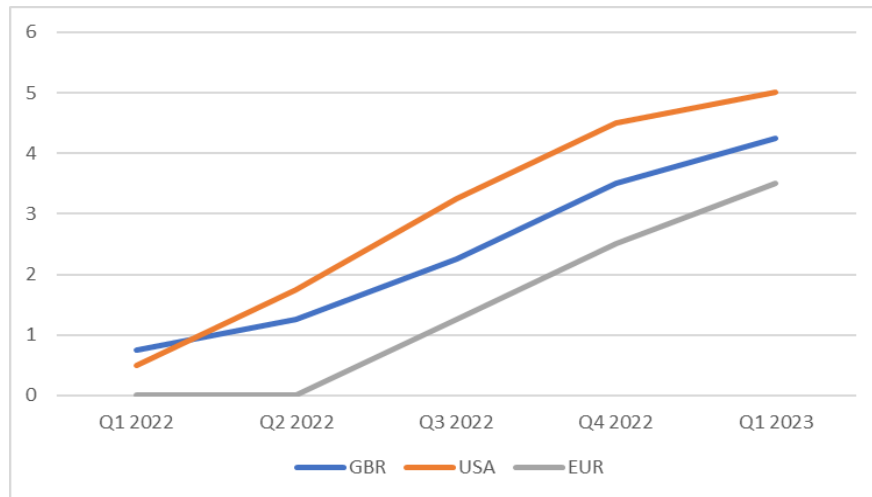
## Interest Rates & the Cost of Living

In my Outlook from last year I said:

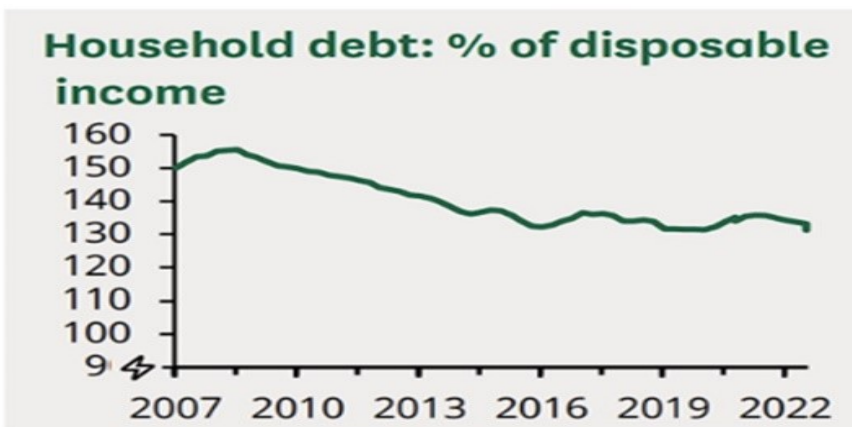
*'Central banks have their work cut out in trying to manage inflationary pressures via monetary policies that have little headroom for significant interest rate rises, and the relative indebtedness of households means that consumer demand could falter as finances continue to be squeezed.'*

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

Estimated 2024

# Audit Opinion

Estimated 2024

# Fund Account

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

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

# Net Asset Statement

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

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

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



# Notes to the Pension Fund Accounts

## 1. DESCRIPTION OF THE FUND

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

### General

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

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

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

### Membership

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

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

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

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

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

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

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

# Notes to the Pension Fund Accounts (continued)

## Funding

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

## Benefits

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

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

## Career Average Revalued Earnings (CARE)

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

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

## 2. BASIS OF PREPARATION

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

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

# Notes to the Pension Fund Accounts (continued)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Fund Account – Revenue Recognition

#### Contribution Income

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

#### Transfers to and from Other Schemes

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

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

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

#### Investment Income

##### *i) Interest income*

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

##### *ii) Dividend income*

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

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

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

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

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

### Fund Account – Expense Items

#### Benefits Payable

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

#### Taxation

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

# Notes to the Pension Fund Accounts (continued)

## Management Expenses

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

## Administrative Expenses

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

## Oversight and Governance Costs

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

## Investment Management Expenses

Investment Management expenses are accounted for on an accruals basis.

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

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

## Net Asset Statement

### Financial Assets

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

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

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

### Foreign Currency Transactions

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

# Notes to the Pension Fund Accounts (continued)

## Derivatives

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

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

## Cash and Cash Equivalents

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

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

## Financial Liabilities

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

## Actuarial Present Value of Promised Retirement Benefits

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

## Additional Voluntary Contributions

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

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

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

## Contingent Assets and Liabilities

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

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

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

# Notes to the Pension Fund Accounts (continued)

## 4. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

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

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

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

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

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

### Pension Fund Liability

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

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

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

## Actuarial Present Value of Promised Retirement Benefits

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

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

# Notes to the Pension Fund Accounts (continued)

## Private Equity

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

## Infrastructure

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

## Property

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

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

## 6. EVENTS AFTER THE BALANCE SHEET DATE

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

## 7. CONTRIBUTIONS RECEIVABLE

### By category:

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

### By authority:

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

## 8. TRANSFERS IN FROM OTHER PENSION FUNDS

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

# Notes to the Pension Fund Accounts (continued)

## 9. BENEFITS PAYABLE

By category:

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

By authority:

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

## 10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

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

## 11. MANAGEMENT EXPENSES

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

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



# Notes to the Pension Fund Accounts (continued)

## 12. INVESTMENT MANAGEMENT EXPENSES

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

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

## 13. INVESTMENT INCOME

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

# Notes to the Pension Fund Accounts (continued)

## 14. INVESTMENTS

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

# Notes to the Pension Fund Accounts (continued)

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

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

# Notes to the Pension Fund Accounts (continued)

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

	Market value 01-Apr-21 £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		0	222,154		
0	0	0	0	0	0
36,327	8,706	0	33,339	14,109	0
0	509	0	0	315	0
0	9,905	0	0	7,525	0
<b>3,356,723</b>	<b>19,120</b>	<b>0</b>	<b>3,233,845</b>	<b>21,949</b>	<b>0</b>
<b>Financial liabilities</b>					
0	0	0	0	0	0
0	0	-2,521	0	0	0
0	0	-5,576	0	0	-5,795
<b>0</b>	<b>0</b>	<b>-8,097</b>	<b>0</b>	<b>0</b>	<b>-5,795</b>
<b>3,356,723</b>	<b>19,120</b>	<b>-8,097</b>	<b>3,233,845</b>	<b>21,949</b>	<b>-5,795</b>
<b>3,367,746 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	31-Mar-23
£000		£000
327,080	Index linked bonds	268,056
311,757	Multi asset credit	311,629
<b>638,837</b>	<b>Total</b>	<b>579,685</b>

Exposure to interest rate risk	Asset values at	Impact of 1%	Impact of 1%
	31-Mar-23	decrease	increase
	£000	£000	£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	Impact of 1%	Impact of 1%
	31-Mar-22	decrease	increase
	£000	£000	£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



## Your key Grant Thornton team members are:

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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

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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

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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

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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.

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# 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-authorised 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).	This system is hosted by West Northamptonshire Council. 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. 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.				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



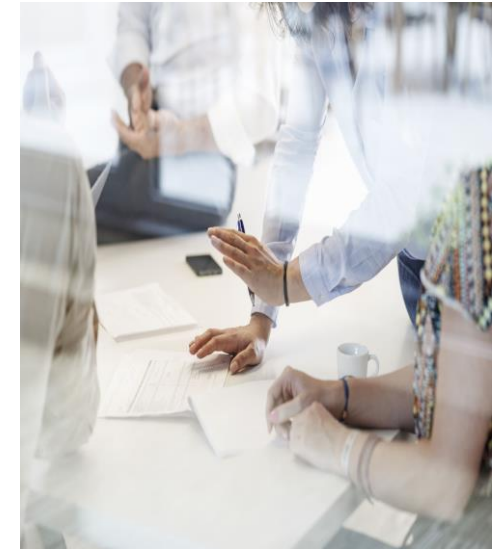
### Our responsibility

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

<b>Our communication plan</b>	<b>Audit Plan</b>	<b>Audit Findings</b>
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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Northamptonshire Pension Committee/Investment Sub Committee Agenda Plan

Meeting date	Agenda item	Lead officer	
5/12/2023 PC	Administration Report [standing item]	M Oakensen	
	Business Plan Update [standing item]	M Whitby	
	Governance and Compliance Report [standing item]	M Oakensen	
	Employer Admission and Cessation Report [standing item]	C Blose	
	Northamptonshire Pension Fund assurance report on potential breaches of the law [to note]	M Oakensen	
	Annual Report and Statement of Accounts [approval]	F Coates	
	Data Retention Policy [approval] – exempt	M Whitby	
	Review of Investment Consultancy Contract – exempt	M Whitby	
	Risk Monitoring [standing item] – exempt	M Oakensen	
	ACCESS Update [standing item] exempt	M Whitby	
	06/3/2024 ISC	Quarterly Performance [standing item]	B Barlow
		Equity Review [approval]	B Barlow
Timberland [approval]		B Barlow	
Social Housing [approval]		B Barlow	
Impact Investing [approval]		B Barlow	
29/3/2024 PC	Strategic Asset Allocation Update [to note]	B Barlow	
	Administration Report [standing item]	M Oakensen	

<b>Meeting date</b>	<b>Agenda item</b>	<b>Lead officer</b>
	Business Plan Update [standing item]	M Whitby
	Annual Business Plan and Medium-Term Strategy [approval]	M Whitby
	Governance and Compliance Report [standing item]	M Oakensen
	Employer Admission and Cessation Report [standing item]	C Blose
	ACCESS Update [standing item] exempt	M Whitby
	External Audit Plan 2023-24 [to note]	B Barlow
<b>June 2024 PC</b>	Administration Report [standing item]	M Oakensen
	Business Plan Update [standing item]	M Whitby
	Governance and Compliance Report [standing item]	M Oakensen
	Employer Admission and Cessation Report [standing item]	C Blose
	Communication Strategy [approval]	C Blose
	Risk Monitoring [standing item] – exempt	M Oakensen
	ACCESS Update [standing item] exempt	M Whitby

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