



**Northamptonshire Pension Fund
Annual Report and Statement of Accounts
Year Ended 31st March 2022**

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Chairperson's Foreword

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

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

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

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

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

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

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

pages on the Fund's website.

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

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

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

Councillor Malcolm Longley

Chairman of the Northamptonshire Pensions Committee.

Dated: xxxxxxxx 2022

Statement of Responsibilities

Introduction

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

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

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

[Northamptonshire Pension Fund Valuation Report](#)

The Council's Responsibilities in respect of the Pension Fund

The West Northamptonshire Council is required to:

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

The Chief Finance Officer's Responsibilities

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

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

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

The Chief Finance Officer has also:

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

Certificate of Accounts

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




























Mr M Henry

Chief Finance Officer

(Section 151 Officer)

Dated: xx xxxxxx 2021

Scheme Management, Advisors and Partners

| Partners | | Asset Managers (Continued) | |
|--|--------------------------------------|--|------------------------------|
|  ACCESS <small>Effective • Collective • Investment</small> | ACCESS (Pension Pool) |  CATAPULT Ventures | Catapult |
|  Aon <small>Empower Results*</small> | AON (Consultants) |  CBRE | CBRE Global |
|  BARCLAYS | Barclays (Bank) |  HARBOURVEST | Harbour Vest Partners (UK) |
| David Crum (Independent Advisor) | David Crum (Independent Advisor) |  ifm investors | IFM Investors |
|  Grant Thornton | Grant Thornton (Auditors) |  J.P.Morgan | JP Morgan |
|  HYMANS ROBERTSON | Hymans Robertson (Actuary) |  LIONTRUST <small>COURAGE • POWER • PRIDE</small> | Lion Trust* |
|  Mercer | Mercer (Investment Consultants) |  LINK Group | Link Fund Solutions (Access) |
|  NORTHERN TRUST | Northern Trust (Custodian) |  LONGVIEW PARTNERS | Longview Partners* |
|  Pathfinder Legal Services Ltd | Pathfinder (Legal Advisor) |  M &G | M&G Investments* |
|  SQUIRE PATTON BOGGS | Squire Patton Boggs (Legal Advisors) |  NEWTON Investment Management | Newton* |
| Asset Managers | |  UBS | UBS Asset Management |
|  Adams Street | Adams Street Partners | AVC Providers | |
|  Allianz | Allianz Global Investors |  PRUDENTIAL | Prudential |
|  ARES | Ares Asset Management |  Standard Life | Standard Life |
|  BAILLIE GIFFORD | Baillie Gifford & Co* | <i>*Sub-funds managed by Link Fund Solutions in the ACCESS pool (page 27)</i> | |
|  BlueBay Asset Management | Blue Bay Asset Management | | |

Scheme Management & Key Officers

The Key Officers of the Fund during the year were:

Mark Whitby – Head of Pensions

Ben Barlow – Investments and Fund Accounting Manager

Richard Sultana – Systems and Projects Manager

Akhtar Pepper – Operations Manager

Cory Blose – Employer and Communications Manager

Joanne Kent – Governance and Compliance Manager

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

Ben Barlow

Investments and Fund Accounting Manager,
Pensions Service

Email: Ben.Barlow@westnorthants.gov.uk

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

Telephone: 07990 556197



Registered Pension Scheme Number: 10079143

Scheme Administration

Introduction

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

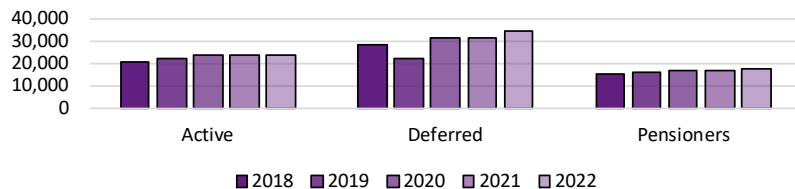
The Fund is a qualifying scheme under the automatic enrolment regulations and can be used by employers to automatically enroll eligible employees, and every three years re-enrol anyone who opts out of the scheme.

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

Membership

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

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



Pension Fund Administration

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

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

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

Unitary Authority

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

Scheme Administration Tools

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

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

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

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

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

Scheme Administration (continued)

Scheme Framework

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

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

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

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

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

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

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

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

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

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

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

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

Scheme Administration (continued)

The below table compares the 2008 and the 2014 schemes.

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

Scheme Administration (continued)

Pension Committee and Local Pension Board Membership

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

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

*Not in appointment for the entire period.

Scheme Administration (continued)

Policies and Strategy Statements

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

[Northamptonshire Pension Fund Key Documents](#)

The following policies were in place during the financial year

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

Statement/Policy Changes in 2021-22

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

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

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

Management and Financial Performance

The Team

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

- **Operations** – maintain member records, calculate benefits and pensions payable.
Email: Pensions@westnorthants.gov.uk
- **Employers** – contact point for employers of the scheme and those wanting to join. Deliver training sessions to employers and payroll providers covering the systems available to assist them in efficiently participating in the Fund.
Email: PenEmployers@westnorthants.gov.uk
- **Systems** – ensure internal systems are operating efficiently and provide support to maintaining accurate member records.
Email: PenSystems@westnorthants.gov.uk
- **Investments** – oversee the governance of Fund assets and support the Investment Sub-Committee.
Email: PenInvestments@westnorthants.gov.uk
- **Governance** – support all Committees in governing the Fund effectively, develop and monitor policies and practices to improve data quality and ensure regulatory compliance.
Email: Pensions@westnorthants.gov.uk
- **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
- **Projects** – is responsible for delivering a wide range of projects that are required to be delivered across the service.
Email: PenProjects@westnorthants.gov.uk

Complaints

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

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

Appeals

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

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

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

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

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

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

Management and Financial Performance (continued)

Managing Decision Making

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

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

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

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

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

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

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

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

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

Management and Financial Performance (continued)

Risk Management

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

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

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

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

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

Investment Risk

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

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

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

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

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

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

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

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

Risk Assurance

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

Management and Financial Performance (continued)

Financial Performance

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

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

Management expenses per active member are shown below:

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

Variance Analysis

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

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

Management and Financial Performance (continued)

Performance Indicators

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

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

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

Management and Financial Performance (continued)

Contributions

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

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

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

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

Recovery of Overpayments of Pension

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

| | |
|---|------------|
| Annual Pensioner Payroll (£) ¹ | 83,682,381 |
| Total write off amount (£) | £1,845 |
| Write offs amount as % of payroll | 0.0 |

¹Excludes additional pension awarded by the employer.

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

| Year | Overpayment £ | Recovered/in progress £ | Written Off £ |
|----------------------|------------------|-------------------------------|------------------|
| 2017-18 | 74,764 | 55,518 | 17,518 |
| 2018-19 ² | 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 |

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

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

Management and Financial Performance (continued)

Contributors to the Fund

Active Employers as at 31 March 2022

| Type Of Body | Number of Active Employers |
|---------------------------|----------------------------|
| Administering (AA) | 1 |
| Scheduled (S)* | 253 |
| Admitted (Ad) | 64 |
| Total | 318 |

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

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

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

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

Management and Financial Performance (continued)

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

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

Management and Financial Performance (continued)

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

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

Management and Financial Performance (continued)

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

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

Management and Financial Performance (continued)

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

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

Management and Financial Performance (continued)

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

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

Management and Financial Performance (continued)

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

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

Management and Financial Performance (continued)

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

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

Investment Policy and Performance

Introduction

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

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

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

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

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

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

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

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

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

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

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

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

Investment Policy and Performance (continued)

Role of Investment Managers

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

Active focus

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

Custodian

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

Asset Pooling

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

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

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

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

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

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

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

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

Investment Policy and Performance (continued)

The Costs of Pooling

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

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

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

Cost Transparency - continued

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

Cost Savings

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

Cost Transparency

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

Investment Policy and Performance (continued)

Investment Allocation and Performance

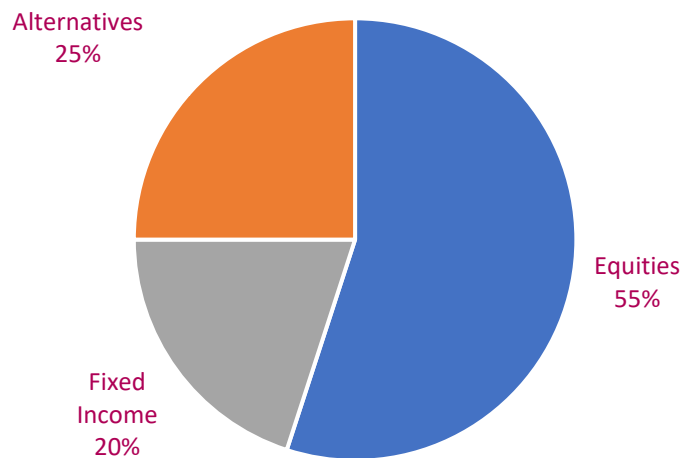
The Pension Fund Committee is responsible for approving the Strategic Asset Allocation proposed by the Investment Sub-Committee (ISC). The ISC performed a full review of the Strategic Asset Allocation during 2018-19 in conjunction with the Fund's Investment Consultants, Mercer Ltd and independent Investment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

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

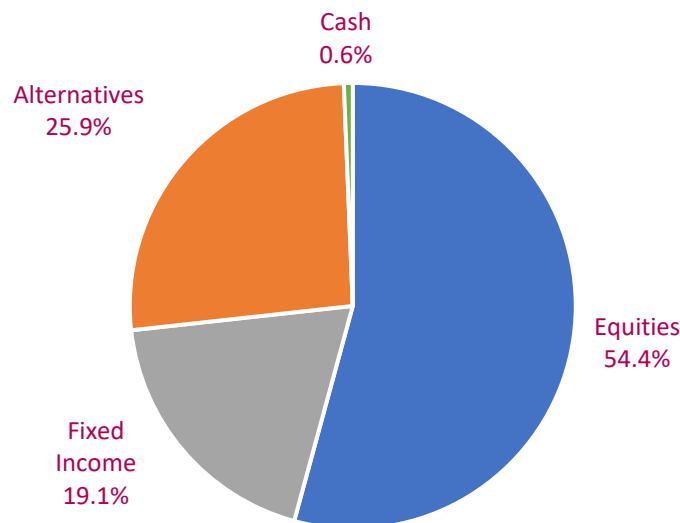
The strategy approved by the Pension Committee in December 2018 aimed to reduce the Fund's reliance upon, and the associated risks, of a large allocation to equities whilst retaining sufficient exposure to growth assets. The strategy focused on a reduction in equities and an increase in Alternative assets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

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

Strategic Allocation at 31 March 2021



Asset Allocation at 31 March 2022



Investment Policy and Performance (continued)

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

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

Investment Policy and Performance (continued)

Total Fund Performance

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

Performance of Managers

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

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

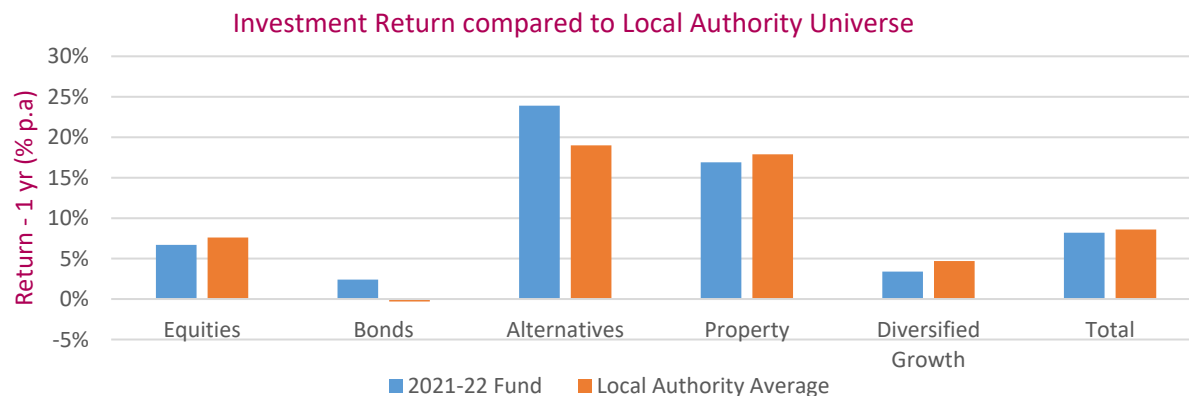
n/a = Not invested for the full period therefore no meaningful performance measure is available

Investment Policy and Performance (continued)

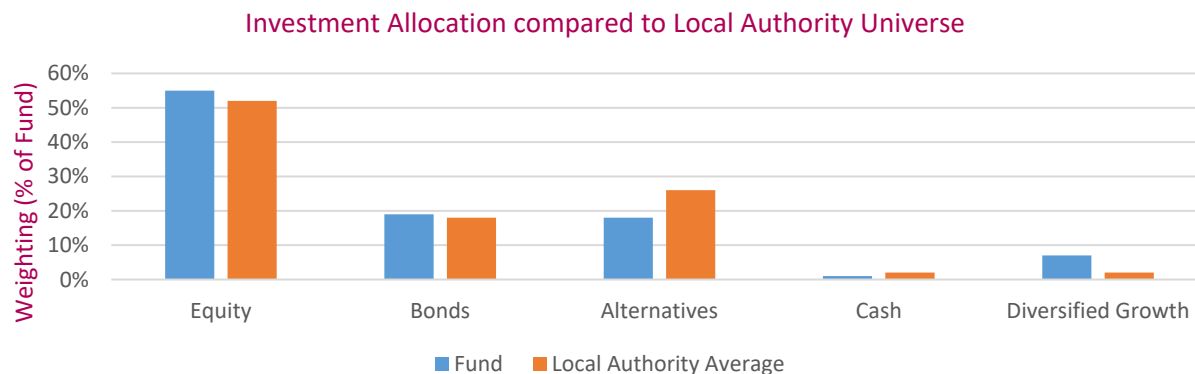
Performance in Comparison with Local Authority Universe

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

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



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



Investment Policy and Performance (continued)

Climate Change Report

Executive summary

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

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

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

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

Governance

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

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

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

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

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

Strategy

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

Investment Policy and Performance (continued)

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

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

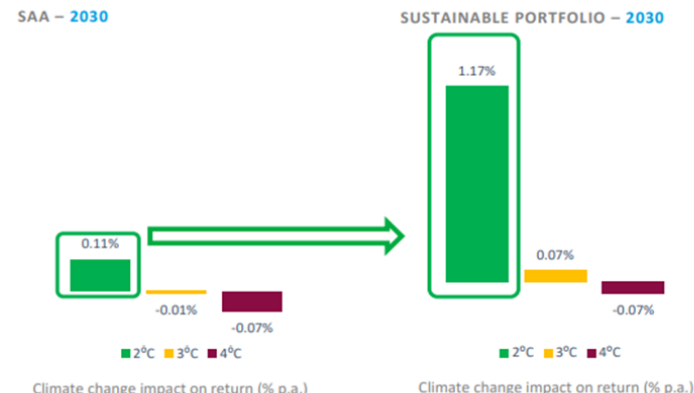
Resilience of the Fund's investment strategy

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

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

Transition opportunities emerge from a 2°C scenario

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



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

Key findings of the analysis

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

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

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

Investment Policy and Performance (continued)

Risk Management

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

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

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

What are the climate-related risks and opportunities?

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

1. Transition risks and opportunities

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

- Policy and legislation
- Market
- Technology
- Reputation

Investment Policy and Performance (continued)

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

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

2. Physical risks and opportunities

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

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

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

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

Metrics and targets

Metrics

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

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

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

Limitations of emissions data

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

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

Targets

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

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

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

Investment Policy and Performance (continued)

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

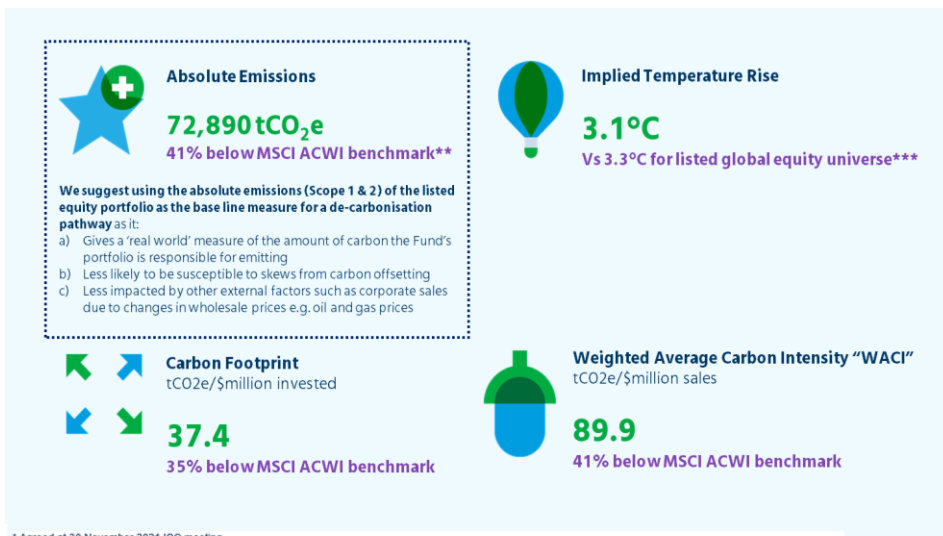
1. Emissions reductions of 25% (from the 2021 baseline) by 2024
2. Emissions reductions of 59% (from the 2021 baseline) by 2030

Carbon reporting dashboard

The Fund's metrics, initially measured in 2021 and to be used as a baseline for future targets, are set out in a publicly available carbon reporting dashboard¹ :

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

The dashboard will be updated on an annual basis.



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

Investment Policy and Performance (continued)

Investment Review – Financial Year to 31st March 2022

David Crum ASIP, May 2022

Ukraine

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

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

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

Economic Background & Market Review

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

Source: Thomson Reuters Datastream

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

Investment Policy and Performance (continued)

Inflation

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



Brent Crude Oil



UK Natural Gas

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

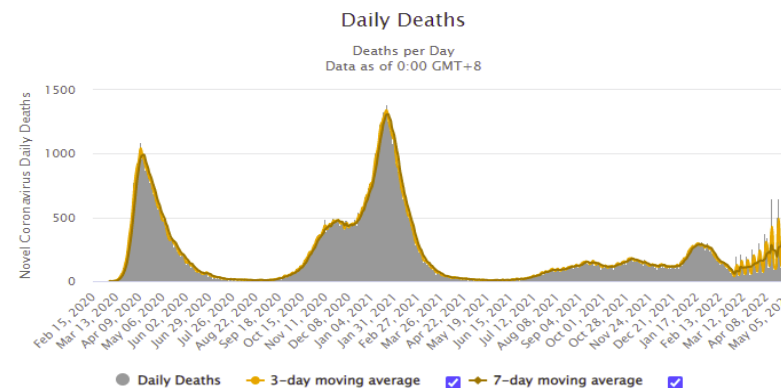
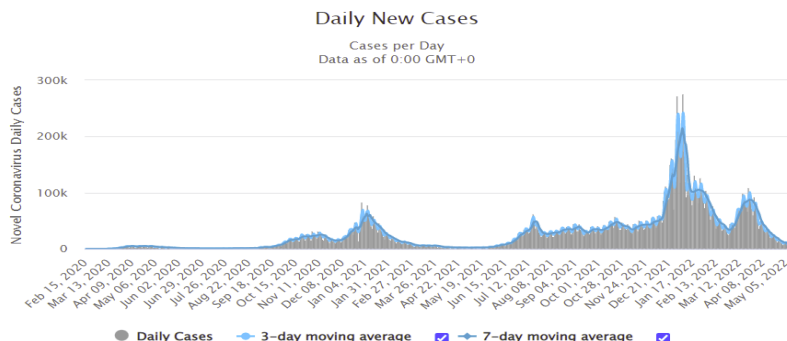
Investment Policy and Performance (continued)

Interest Rates

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

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

COVID



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

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

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

Investment Policy and Performance (continued)

COP26

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

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

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

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

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

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

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

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

Fund Investment Performance

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

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

Investment Policy and Performance (continued)

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

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

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

Investment Strategy

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

Outlook

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

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

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

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

Actuarial Information

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

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

Description of Funding Policy

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

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

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

Funding Position as at the last formal funding valuation

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

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

Principal Actuarial Assumptions and Method used to value the liabilities

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

Method

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

Actuarial Information (continued)

Assumptions

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

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

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

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

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

*Aged 45 at the 2019 Valuation.

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

Experience over the period since 31 March 2019

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

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

Robert McInroy FFA

6 May 2022

For and on behalf of Hymans Robertson LLP

Actuarial Information (continued)

Extract from the Actuarial Valuation Report

Executive Summary

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

Funding Position

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

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

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

Contribution Rates

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

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

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

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

Robert McInroy FFA

Douglas Green FFA

31 March 2020

For and on behalf of Hymans Robertson LLP

Audit Opinion

Audit Opinion

Fund Account

| 31-Mar-21 £000 | Notes | 31-Mar-22 £000 |
|---|---|-------------------|
| Dealings with members, employers and others directly involved in the fund: | | |
| -116,311 | Contributions | -122,777 |
| -7,759 | Transfers in from other pension funds | -12,203 |
| -124,070 | | -134,980 |
| 96,190 | Benefits | 103,413 |
| 8,958 | Payments to and on account of leavers | 9,696 |
| 105,148 | | 113,109 |
| -18,922 | Net (additions)/withdrawals from dealing with members | -21,871 |
| 14,008 | Management expenses | 15,964 |
| -4,914 | Net (additions)/withdrawals including fund management expenses | -5,907 |
| Returns on investments: | | |
| -23,433 | Investment income | -28,920 |
| 14 | Taxes on income | 0 |
| -670,914 | (Profit) and losses on disposal of investments and changes in the value of investments | -229,429 |
| -694,333 | Net return on investments | -258,349 |
| -699,247 | Net (increase)/decrease in the net assets available for benefits during the year | -264,256 |
| -2,404,243 | Opening net assets of the scheme | -3,103,490 |
| -3,103,490 | Closing net assets of the scheme | -3,367,746 |

Notes on pages 50 to 81 form part of the financial statements.

Net Asset Statement

| 31-Mar-21 | | | 31-Mar-22 |
|------------------|---|----------|------------------|
| £000 | | Notes | £000 |
| 3,091,885 | Investment assets | | 3,357,279 |
| -390 | Investment liabilities | | -2,521 |
| 3,091,495 | Total net investments | Note 14 | 3,354,758 |
| 17,977 | Current assets | Note 21 | 18,564 |
| -5,982 | Current liabilities | Note 22 | -5,576 |
| 11,995 | Net current assets | | 12,988 |
| 3,103,490 | Closing net assets of the scheme | Note 17a | 3,367,746 |

Notes on pages 50 to 81 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 2021-22 on pages 1 to 45 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 2022 there are 318 (2021: 314) active employers within the Northamptonshire Pension Fund, including the Council itself.

| | 31-Mar-21 | 31-Mar-22 |
|--|-----------|-----------|
| Number of employers with active members | 314 | 318 |

The Fund has over 76,000 individual members, as detailed below:

| | 31-Mar-21 | 31-Mar-22 |
|---------------------------------------|---------------|---------------|
| Number of employees in scheme: | | |
| Administering Authority | 8,067 | 5,010 |
| Other employers | 15,801 | 19,045 |
| Total | 23,868 | 24,055 |
| Number of pensioners: | | |
| Administering Authority | 8,918 | 9,002 |
| Other employers | 8,128 | 8,703 |
| Total | 17,046 | 17,705 |
| Deferred pensioners: | | |
| Administering Authority | 14,228 | 13,688 |
| Other employers | 9,733 | 10,938 |
| Total | 23,961 | 24,626 |
| Undecided leavers: | | |
| Administering Authority | 3,570 | 3,986 |
| Other employers | 4,633 | 6,147 |
| Total | 8,203 | 10,133 |
| Total members | 73,078 | 76,519 |

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 2022. Employers' contributions are set as part of the triennial actuarial funding valuation. The last such valuation was at 31 March 2019. Employers' contributions comprise a percentage rate on active payroll between 1.8% and 35% and deficit payments of fixed cash amounts set for each employer as part of the triennial funding valuation.

Benefits

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

| | Service pre 1 April 2008 | Service 1 April 2008 to 31 March 2014 |
|-----------------|---|--|
| Pension | Each year worked is worth 1/80 x final pensionable salary. | Each year worked is worth 1/60 x final pensionable salary. |
| Lump Sum | 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 2021-22 financial year and its financial position at 31 March 2022. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2021-22* (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 79) 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 2020-21 and 2021-22.

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 2021-22, £0.1m of fees are based upon such estimates (2020-21: £ 0.1m). In addition, manager fees deducted from pooled funds of £12.5m (2020-21: £9.3m) 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 as its AVC providers. AVCs are deducted from the individual member's pay and paid to the AVC provider by employers and are specifically for

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

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

Contingent Assets and Liabilities

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

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events.

Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

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

Prior Period Adjustments, changes in accounting policies and estimates and errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Change in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Fund's financial position or financial performance.

Notes to the Pension Fund Accounts (continued)

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

4. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

It has not been necessary to make any material critical judgements in applying the accounting policies in 2021-22.

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 2022 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 £89m. A 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £6m, and a 1 year increase in assumed life expectancy would increase the liability by approximately 4%.

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 £187.4m. 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 £128.9m to £245.9m.

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 £201.9m. There is a risk that this investment may be under or overstated in the accounts. Note 18 gives a price sensitivity infrastructure investments of 13.3%, which indicates that infrastructure values may range from £175.0m to £228.7m

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 £249.2m. 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 15.0%, which indicates that infrastructure values may range from £211.8m to £286.5m

6. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events since 31 March 2022, and up to the date when these accounts were authorised that require any adjustments to these accounts.

7. CONTRIBUTIONS RECEIVABLE

By category:

| 31-Mar-21 | | 31-Mar-22 |
|-----------|--------------------------------|-----------|
| £000 | | £000 |
| 23,431 | Employees' contributions | 24,668 |
| | Employers' contributions: | |
| 71,463 | Normal contributions | 77,111 |
| 21,417 | Deficit recovery contributions | 20,998 |
| 92,880 | Total employers' contributions | 98,109 |
| 116,311 | | 122,777 |

By authority:

| 31-Mar-21 | | 31-Mar-22 |
|-----------|-------------------------|-----------|
| £000 | | £000 |
| 32,642 | Administering authority | 28,695 |
| 80,402 | Scheduled bodies | 90,886 |
| 3,267 | Admitted bodies | 3,196 |
| 116,311 | | 122,777 |

8. TRANSFERS IN FROM OTHER PENSION FUNDS

| 31-Mar-21 | | 31-Mar-22 |
|-----------|----------------------|-----------|
| £000 | | £000 |
| 7,759 | Individual transfers | 12,203 |
| 7,759 | | 12,203 |

Notes to the Pension Fund Accounts (continued)

9. BENEFITS PAYABLE

By category:

| 31-Mar-21 | 31-Mar-22 |
|---|----------------|
| £000 | £000 |
| 80,572 Pensions | 83,863 |
| 12,452 Commutation and lump sum retirement benefits | 16,665 |
| 3,166 Lump sum death benefits | 2,885 |
| 96,190 | 103,413 |

By authority:

| 31-Mar-21 | 31-Mar-22 |
|--------------------------------|----------------|
| £000 | £000 |
| 41,593 Administering authority | 24,072 |
| 47,872 Scheduled bodies | 72,151 |
| 6,725 Admitted bodies | 7,190 |
| 96,190 | 103,413 |

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

| 31-Mar-21 | 31-Mar-22 |
|--|--------------|
| £000 | £000 |
| 1,120 Refunds to members leaving service | 676 |
| 7,838 Individual transfers | 9,020 |
| 8,958 | 9,696 |

11. MANAGEMENT EXPENSES

| 31-Mar-21 | 31-Mar-22 |
|---------------------------------------|---------------|
| £000 | £000 |
| 2,372 Administrative costs | 2,268 |
| 10,928 Investment management expenses | 12,884 |
| 708 Oversight and governance costs | 812 |
| 14,008 | 15,964 |

Notes to the Pension Fund Accounts (continued)

12. INVESTMENT MANAGEMENT EXPENSES

| 2021/22 | Management Fees £000 | Performance Related Fees £000 | Transaction Costs £000 | Other Costs £000 | Total £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 |
| Total | 9,226 | 2,015 | 398 | 1,245 | 12,884 |

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

13. INVESTMENT INCOME

| 31-Mar-21 £000 | 31-Mar-22 £000 |
|--|-------------------|
| 3,060 | 19 |
| Income from equities | |
| 8,448 | 14,261 |
| Pooled investments – unit trusts and other managed funds | |
| 7,430 | 7,927 |
| Pooled property investments | |
| 4,462 | 6,694 |
| Private equity/infrastructure income | |
| 9 | 19 |
| Interest on cash deposits | |
| 24 | 0 |
| Other – securities lending income | |
| 23,433 | 28,920 |

Notes to the Pension Fund Accounts (continued)

14. INVESTMENTS

| 31-Mar-21 £000 | | 31-Mar-22 £000 |
|-------------------|-------------------------------------|-------------------|
| | Investment assets | |
| 17 | Equities | 0 |
| | Pooled investments | |
| 302,803 | • UK Equity Funds | 321,249 |
| 1,429,039 | • Global Equity Funds | 1,499,989 |
| 311,751 | • Index Linked Bonds | 327,080 |
| 285,428 | • Multi Asset Credit Funds | 311,757 |
| 214,353 | • Diversified Growth Funds | 221,650 |
| 657 | • Cash Funds | 217 |
| 185,516 | Pooled property investments | 249,167 |
| 113,353 | Private equity | 187,426 |
| 196,471 | Infrastructure | 201,861 |
| 51,483 | Cash deposits | 36,374 |
| 484 | Investment income due | 509 |
| 530 | Amounts receivable for sales | 0 |
| 3,091,885 | Total investment assets | 3,357,279 |
| | Investment liabilities | |
| -390 | Amounts payable for purchases | -2,521 |
| -390 | Total investment liabilities | -2,521 |
| 3,091,495 | Net investment assets | 3,354,758 |

Notes to the Pension Fund Accounts (continued)

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

| | Market value 01-Apr-21 | Purchases during the year and derivative payments | Sales during the year and derivative receipts | Change in market value during the year | Market value 31-Mar-22 |
|--|---------------------------|--|--|--|---------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Equities | 17 | 0 | -3 | -14 | 0 |
| Pooled investments | 2,544,031 | 42,856 | -31,750 | 126,805 | 2,681,942 |
| Pooled property investments | 185,516 | 36,836 | -10,947 | 37,762 | 249,167 |
| Private equity | 113,353 | 44,527 | -22,635 | 52,181 | 187,426 |
| Infrastructure | 196,471 | 2,402 | -9,655 | 12,643 | 201,861 |
| | 3,039,388 | 126,621 | -74,990 | 229,377 | 3,320,396 |
| Derivative contracts: | | | | | |
| • Forward currency contracts | 0 | 1 | -2 | 1 | 0 |
| | 3,039,388 | 126,622 | -74,992 | 229,378 | 3,320,396 |
| Other investment balances: | | | | | |
| • 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 |
| Net investment assets | 3,091,495 | | | | 3,354,758 |

Notes to the Pension Fund Accounts (continued)

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

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

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

Notes to the Pension Fund Accounts (continued)

14(b). INVESTMENTS ANALYSED BY FUND MANAGER

| Market value 31-Mar-21 | | Market value 31-Mar-22 | |
|---|----------------------------|------------------------|----------------------------|
| £000 | % of net investment assets | £000 | % of net investment assets |
| Investments managed under Pooled Governance: | | | |
| 1,287,000 | 42 | 1,493,631 | 44 |
| 970,953 | 31 | 1,030,982 | 31 |
| 2,257,953 | 73 | 2,524,613 | 75 |
| Investments managed outside Pooled Governance: | | | |
| 43,979 | 1 | 82,254 | 2 |
| 20,105 | 1 | 17,134 | 1 |
| 38,077 | 1 | 34,709 | 1 |
| 143,083 | 5 | 157,117 | 5 |
| 511 | 0 | 540 | 0 |
| 204,514 | 7 | 248,485 | 7 |
| 68,860 | 2 | 104,633 | 3 |
| 48,136 | 2 | 58,329 | 2 |
| 45,644 | 1 | 44,683 | 1 |
| 186,853 | 6 | 60,810 | 2 |
| 17 | 0 | 0 | 0 |
| 33,763 | 1 | 21,451 | 1 |
| 833,542 | 27 | 830,145 | 25 |
| 3,091,495 | 100 | 3,354,758 | 100 |

- 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 31st March 2022.

| Security | 31-Mar-21 | % of total fund | 31-Mar-22 | % of total fund |
|--|------------------|-----------------|------------------|-----------------|
| | £000 | % | £000 | % |
| LF ACCESS UK Equity - Majedie | 278,300 | 9 | 293,857 | 9 |
| LF ACCESS Baillie Gifford Diversified Growth Fund | 214,354 | 9 | 221,650 | 7 |
| UBS Asset Management Life Over 5 Year Index Linked Gilts | 311,751 | 4 | 327,080 | 10 |
| LF ACCESS Global Equity - Newton Investment Management | 284,105 | 7 | 313,721 | 9 |
| LF ACCESS Baillie Gifford Long Term Global Growth Fund | 259,523 | 8 | 223,255 | 7 |
| LF ACCESS Longview Global Equity | 250,718 | 6 | 286,508 | 9 |
| | 1,598,751 | | 1,666,071 | |

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 2022 or 31 March 2021.

• Options

There were no outstanding option contracts at 31 March 2022 or 31 March 2021.

• 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 | £000 | £000 |
| One to six months | GBP | 45,249 | EUR | -53,644 | 0 | 0 |
| Total | | | | | 0 | 0 |
| Net forward currency contracts at 31 March 2022 | | | | | | 0 |
| Prior year comparative | | | | | | |
| Open forward currency contracts at 31 March 2021 | | | | | | 0 |
| Net forward currency contracts at 31 March 2021 | | | | | | 0 |

Notes to the Pension Fund Accounts (continued)

16. FAIR VALUE

Valuation of Financial Instruments Carried at Fair Value

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

- Level 1** Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index-linked securities and unit trusts.
- Level 2** Assets and liabilities at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value. The price used is based upon inputs from observable market data.
- Level 3** Assets and liabilities at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which the Northamptonshire Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines 2015, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

16(a). FAIR VALUE HIERARCHY

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

| Values at March 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 |
| Net investment assets | 36,544 | 2,681,725 | 638,454 | 3,356,723 |

| Values at March 2021 | Level 1 | Level 2 | Level 3 | Total |
|--|---------------|------------------|----------------|------------------|
| Financial assets at fair value through profit and loss | £000 | £000 | £000 | £000 |
| Equities | 17 | 0 | 0 | 17 |
| Pooled investments | 657 | 2,543,374 | 0 | 2,544,031 |
| Pooled property investments | 0 | 0 | 185,516 | 185,516 |
| Private equity/infrastructure | 0 | 0 | 309,824 | 309,824 |
| Cash and Cash Equivalents | 37,167 | 0 | 0 | 37,167 |
| Net investment assets | 37,841 | 2,543,374 | 495,340 | 3,076,555 |

Pooled property investments have moved from Level 2 to Level 3 in the prior year due to Level 3 being a more appropriate basis of valuation. There have been no changes to valuation techniques for these assets.

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 |
|---|---------------------|--|--|--|
| Cash and cash equivalents | Level 1 | Carrying value is deemed to be fair value because of the short-term nature of these financial instruments | Not required | Not required |
| Pooled Investments | Level 2 | Net Asset Value / Bid Market Price. | Evaluated price feeds | Not required |
| Pooled Investments | Level 2 | Average of broker prices. | Evaluated price feeds | Not required |
| Forward Foreign exchange derivatives | Level 2 | Market forward exchange rates at theyear-end | Exchange rate risk | Not required |
| Property | 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 | |
| Private Equity | 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 |
| Infrastructure | 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 |

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 2022.

| Asset Type | Market Value as at 31-Mar-22 £000 | Assessed valuation range % (+/-) | Value on Increase £000 | Value on Decrease £000 |
|---------------------|---|--|------------------------------|------------------------------|
| Private equity | 187,426 | 31.2 | 245,903 | 128,949 |
| Infrastructure | 201,861 | 13.3 | 228,709 | 175,013 |
| Property funds | 249,167 | 15.0 | 286,542 | 211,792 |
| Total Assets | 638,454 | | 761,154 | 515,754 |

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

| Period 2021-22 | Market value 01- Apr-21 £000 | Purchases during the year and derivative payments £000 | Sales during the year and derivative receipts £000 | Unrealised gains/(losses) £000 | Realised gains/(losses) £000 | Market value 31-Mar-22 £000 |
|----------------|------------------------------------|--|--|--------------------------------------|------------------------------------|-----------------------------------|
| Private Equity | 113,353 | 44,527 | -22,635 | 42,985 | 9,196 | 187,426 |
| Infrastructure | 196,471 | 2,402 | -9,655 | 12,861 | -218 | 201,861 |
| Property funds | 185,516 | 36,836 | -10,947 | 37,465 | 297 | 249,167 |
| Total | 495,340 | 83,765 | -43,237 | 93,311 | 9,275 | 638,454 |

All transfers between levels are recognised in the month in which they occur.

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-21 | | | 31-Mar-22 | | |
|------------------------------------|--------------------------|-------------------------------|------------------------------------|--------------------------|-------------------------------|
| 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 |
| Financial assets | | | | | |
| 17 | 0 | 0 | 0 | 0 | 0 |
| 2,544,031 | 0 | 0 | 2,681,942 | 0 | 0 |
| 185,516 | 0 | 0 | 249,167 | 0 | 0 |
| 309,824 | 0 | 0 | 187,426 | 0 | 0 |
| | 0 | 0 | 201,861 | | |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 37,167 | 23,478 | 0 | 36,327 | 8,706 | 0 |
| 0 | 1,014 | 0 | 0 | 509 | 0 |
| 0 | 8,815 | 0 | 0 | 9,905 | 0 |
| 3,076,555 | 33,307 | 0 | 3,356,723 | 19,120 | 0 |
| Financial liabilities | | | | | |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | -390 | 0 | 0 | -2,521 |
| 0 | 0 | -5,982 | 0 | 0 | -5,576 |
| 0 | 0 | -6,372 | 0 | 0 | -8,097 |
| 3,076,555 | 33,307 | -6,372 | 3,356,723 | 19,120 | -8,097 |
| 3,103,490 | | | Total | | |
| | | | 3,367,746 | | |

Notes to the Pension Fund Accounts (continued)

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

| 31-Mar-21 | 31-Mar-22 |
|-------------------------------|----------------|
| £000 | £000 |
| Financial assets: | |
| 671,043 | 229,377 |
| 2 | 99 |
| Financial liabilities: | |
| 8 | 1 |
| -140 | -48 |
| 670,913 | 229,429 |
| Total gains/(losses) | |

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 2021-22 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 | 19.9 |
| Global pooled equities | 20.1 |
| Index linked bonds | 7.3 |
| Multi asset credit | 7.4 |
| Diversified growth | 9.1 |
| Property | 15 |
| Private Equity | 31.2 |
| Infrastructure | 13.3 |
| 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:

| 31-Mar-22 | Value as at | % (rounded) | Value on | Value on |
|------------------------------------|--------------------|--------------------|------------------|------------------|
| Asset Type | 31-Mar-22 | Change | Increase | Decrease |
| | £000 | | £000 | £000 |
| 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 |
| Total Assets | 3,354,758 | | 3,910,106 | 2,799,410 |

| 31-Mar-21 | Value as at | % (rounded) | Value on | Value on |
|------------------------------------|--------------------|--------------------|------------------|------------------|
| Asset Type | 31-Mar-21 | Change | Increase | Decrease |
| | £000 | | £000 | £000 |
| UK equities | 302,821 | 16.7 | 353,392 | 252,250 |
| Global pooled equities | 1,429,038 | 17.4 | 1,677,691 | 1,180,385 |
| Index linked bonds | 311,751 | 7.5 | 335,132 | 288,370 |
| Multi asset credit | 285,427 | 6.2 | 303,123 | 267,731 |
| Diversified growth | 214,354 | 11.9 | 239,862 | 188,846 |
| Property | 185,516 | 14.2 | 211,859 | 159,173 |
| Alternatives | 309,824 | 21.2 | 375,507 | 244,141 |
| Cash and other investment balances | 52,764 | 0.3 | 52,922 | 52,606 |
| Total Assets | 3,091,495 | | 3,549,488 | 2,633,502 |

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 2022 and 31 March 2021 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-21 Asset Type £000 | 31-Mar-22 £000 |
|------------------------------|-------------------|
| 311,751 Index linked bonds | 327,080 |
| 285,714 Multi asset credit | 311,757 |
| 597,465 Total | 638,837 |

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

| Exposure to interest rate risk | Asset values at 31-Mar-21 £000 | Impact of 1% decrease £000 | Impact of 1% increase £000 |
|---|--------------------------------------|----------------------------------|----------------------------------|
| Index-linked securities | 311,751 | 314,869 | 308,633 |
| Multi asset credit | 285,714 | 288,571 | 282,857 |
| Total change in assets available | 597,465 | 603,440 | 591,490 |

Notes to the Pension Fund Accounts (continued)

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

| Exposure to interest rate risk | Interest receivable 2020-21 £000 | Value on 1% increase £000 | Value on 1% decrease £000 |
|--|--|---------------------------------|---------------------------------|
| Cash deposits, cash and cash equivalents | 9 | 209 | 205 |
| Fixed interest securities | 531 | 536 | 526 |
| Total | 540 | 745 | 731 |

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 9.5% (the 1 year expected standard deviation).

A 9.5% (31 March 2021: 9.8%) 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 9.5% 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 | Potential | Value on | Value on |
|---------------------------------|------------------|----------------|------------------|------------------|
| | 31-Mar-22 | market | increase | decrease |
| | £000 | movement | £000 | £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 |
| Total | 1,657,323 | 132,827 | 1,790,150 | 1,524,496 |

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

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 2022 was £45.0m (31 March 2021: £60.6m). This was held with the following institutions:-

| | Rating | 31-Mar-21 £000 | 31-Mar-22 £000 |
|--|--------|-------------------|-------------------|
| Money market funds | | | |
| Northern Trust Global Investors Global Cash Fund | AAAm | 37,167 | 36,327 |
| Bank deposit account | | | |
| Barclays Bank | A | 9,162 | 8,659 |
| Bank current accounts | | | |
| Northern Trust custody accounts | A-1+ | 14,316 | 47 |
| Total | | 60,645 | 45,033 |

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 2022 the value of illiquid assets was £638.5m, which represented 19.0% of the total Fund assets (31 March 2021: £495.3m, which represented 16.0% 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 2022 are due within one year.

d) Refinancing Risk

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

Notes to the Pension Fund Accounts (continued)

19. FUNDING ARRANGEMENTS

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

The key elements of the funding policy are:

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

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

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

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

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

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

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

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

Notes to the Pension Fund Accounts (continued)

Basis of Valuation

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

Financial Assumptions

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

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

*CPI plus 0.3%

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

The next triennial valuation is due 31 March 2022 where CPI was much higher than 31 March 2019, this is included as an experience item in the valuation.

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 |
| 2016 valuation | 23.9 | 26.1 | 22.1 | 24.2 |
| 2019 valuation | 22.3 | 25.1 | 21.5 | 23.7 |

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

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

Other Demographic Valuation Assumptions:

- Retirements in ill-health** - Allowance has been made for ill-health retirements before normal pension age.
- Withdrawals** - Allowance has been made for withdrawals from service.
- Retirements in normal health** - We have adopted the retirement age pattern assumption as used for the purpose of the 2016 LGPS cost cap valuation.
- Death in Service** - Allowance has been made for death in service.
- Promotional salary increases** - Allowance has been made for promotional salary increases.
- Family details** - A varying proportion of members are assumed to have a dependant at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. The dependant of a male member is assumed to be 3 years younger than him and the dependant of a female member is assumed to be 3 years older than her.
- Commutation** - 50% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits for service to 1 April 2008 (equivalent 75% for service from 1 April 2008).
- 50:50 option** - 1.0% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option.

Notes to the Pension Fund Accounts (continued)

20. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

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

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

| 31-Mar-21 | | 31-Mar-22 |
|---------------|---|---------------|
| £m | | £m |
| -4,572 | Present value of promised retirement benefits | -4,418 |
| 3,103 | Fair value of scheme assets (bid value) | 3,368 |
| -1,469 | Net liability | -1,050 |

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2019 triennial funding valuation (see Note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Assumptions Used

| 31-Mar-21 | Assumption | 31-Mar-22 |
|-----------|--|-----------|
| % p.a. | | % p.a. |
| 2.85 | Inflation/pension increase rate assumption | 3.20 |
| 3.35 | Salary increase rate | 3.70 |
| 2.00 | Discount rate | 2.70 |

Notes to the Pension Fund Accounts (continued)

21. CURRENT ASSETS

| 31-Mar-21 | | 31-Mar-22 |
|----------------------|-------------------------------|---------------|
| £000 | | £000 |
| Debtors: | | |
| 1,754 | Contributions due – members | 2,044 |
| 6,033 | Contributions due – employers | 6,286 |
| 1,028 | Other debtors | 1,575 |
| 8,815 | | 9,905 |
| Cash balances | | |
| 9,162 | | 8,659 |
| 9,162 | | 8,659 |
| 17,977 | | 18,564 |

22. CURRENT LIABILITIES

| 31-Mar-21 | | 31-Mar-22 |
|--------------|------------------|--------------|
| £000 | | £000 |
| 967 | Benefits payable | 661 |
| 5,015 | Other creditor | 4,915 |
| 5,982 | | 5,576 |

23. ADDITIONAL VOLUNTARY CONTRIBUTIONS

| 31-Mar-21 | | 31-Mar-22 |
|--------------|---------------|--------------|
| £000 | | £000 |
| 5,725 | Prudential | 5,444 |
| 642 | Standard Life | 645 |
| 6,367 | | 6,089 |

Total contributions of £148k (2020-21: £81k) were paid directly to Prudential during the year. Total contributions of £7k (2020-21: £51k) were paid directly to Standard Life during the year.

24. AGENCY SERVICES

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

| 31-Mar-21 | | 31-Mar-22 |
|--------------|-------------------|--------------|
| £000 | | £000 |
| 2,208 | Unfunded pensions | 2,248 |
| 2,208 | | 2,248 |

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 £2.2m (2020-21: £1.6m) 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 £23.6m of employer's contributions to the Fund in 2021-22 (2020-21: £25.9m as Northamptonshire County Council). At 31 March 2022 there was £1.9m due to the Fund by the Council (31 March 2021: £263k was due to the Fund by the Council).

Governance

No Pensions Committee members declared a personal interest due to either being a member of the scheme themselves or having a family member in the scheme. 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.

Notes to the Pension Fund Accounts (continued)

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-21 | 31-Mar-22 |
|------------------------------|-----------|
| £000 | £000 |
| 54 Short-term benefits | 56 |
| 186 Post-employment benefits | 3 |
| 240 | 59 |

26. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments at 31 March 2022 totalled £181.4m (31 March 2021: £186.6m).

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

Seven 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.

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.

On 31 March 2022 collectively the pool has assets of £60bn (of which 58.5% has been pooled) serving 3,500 employers with over 1.2 million members including 310,000 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](#).

Notes to the Pension Fund Accounts (continued)

29. Prior Period Adjustment

There have been two prior period adjustments to the 2020-21 position. Previously, pooled property holdings £58.4m have been classified as Level 2 using fair value techniques, however they have been reclassified to Level 3 due to the valuation techniques use, Level 3 is a more appropriate classification for these assets. Additionally, £37m cash held in Money Market Funds were held at amortised cost during 2020-21, due to the nature of these assets they would require to be held at fair value through profit and loss.

| Values at March 2021 - Prior year | Level 1 | Level 2 | Level 3 | Total |
|--|------------|------------------|----------------|------------------|
| Financial assets at fair value through profit and loss | £000 | £000 | £000 | £000 |
| Equities | 17 | 0 | 0 | 17 |
| Pooled investments | 657 | 2,543,374 | 0 | 2,544,031 |
| Pooled property investments | 0 | 58,366 | 127,150 | 185,516 |
| Private equity/infrastructure | 0 | 0 | 309,824 | 309,824 |
| Net investment assets | 674 | 2,601,740 | 436,974 | 3,039,388 |

| Values at March 2021 | Level 1 | Level 2 | Level 3 | Total |
|--|---------------|------------------|----------------|------------------|
| Financial assets at fair value through profit and loss | £000 | £000 | £000 | £000 |
| Equities | 17 | 0 | 0 | 17 |
| Pooled investments | 657 | 2,543,374 | 0 | 2,544,031 |
| Pooled property investments | 0 | 0 | 185,516 | 185,516 |
| Private equity/infrastructure | 0 | 0 | 309,824 | 309,824 |
| Cash and Cash Equivalents | 37,167 | 0 | 0 | 37,167 |
| Net investment assets | 37,841 | 2,543,374 | 495,340 | 3,076,555 |

As a result of these classifications notes 16a, 16b and 17a have been amended.

Glossary

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

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

ACS Authorised Contractual Scheme.

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

AJC ACCESS Join Governance Committee

AUM Assets Under Management

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

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

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

CASH EQUIVALENTS Assets which are readily convertible into cash.

CIPFA Chartered Institute of Public Finance and Accountancy

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

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

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

COUPON The regular payment made on bonds.

CTI Cost Transparency Initiative

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

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

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

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

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

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

Glossary (continued)

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

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

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

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

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

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

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

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

GMP Guaranteed Minimum Pension

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

IAS International Accounting Standards

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

IDRP Internal Dispute Resolution Procedures

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

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

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

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

ISC Investments Sub-Committee

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

LPB Local Pension Board.

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

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

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

PC Pensions Committee.

Glossary (continued)

PLSA Pensions and Lifetime Savings Association.

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

RAG Red, Amber and Green

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

SAB Scheme Advisory Board

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

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

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

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

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

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

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

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