Democratic Services
County Hall
Northampton
NN1 1AT

Northamptonshire Local Pension Board	21 January 2016	Room 28 County Hall Northampton NN1 1AT	2.00 pm

AGENDA

*** Papers enclosed**

Item No.	Subject	Responsible Officer
1.	Welcome and Apologies for Absence	Chairman
2.	Declarations of interest by members, if any	Chairman
3.*	Minutes of the meeting held on 1 October 2015	Jenny Rendall
	Part A – Update on Pensions Committee Activity	
4.*	Executive summary of standing items from Pension Committee meetings held in October and December: ○ Business Plan Update ○ Governance and Legislation report ○ Overpayments of Pensions ○ Employers Admissions and Cessations	Joanne Walton
5.*	Review Annual Report and Statement of Accounts 14/15	Joanne Walton
6.*	Review Payment of Employee and Employer Contributions 2015	Joanne Walton
	Part B – Local Pension Board Work Programme	
7.*	Review of Admissions Bodies, Scheme Employers and Bulk Transfer Policy 2015	Joanne Walton
8.*	Review Statement of Investment Principles 2015	Joanne Walton
9.	June 2015 Pension Committee meeting standing reports	Joanne Walton
10.	Work Programme and Annual Report	Paul Hanson
11.	Urgent items	

Issued: 13 January 2016

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Agenda Item No: 3

Democratic Services
Room 144
County Hall
Northampton
NN1 1DN

Northamptonshire County Council

Northamptonshire Local Government Pension Scheme Local Pension Board

Minutes of the meeting held on 1 October 2015

Venue: Room 244, County Hall, Northampton

(Meeting held in public)

PRESENT:-

Paul Evans (Chairman)

Employers Side	Employees Side
Councillor Allan Matthews	Penny Smith
Councillor Mick Scrimshaw	Nina Thomas

Also in attendance (for all or part of the meeting)

Paul Hanson	Democrat tic Services Manager (minutes)
Michelle Oakensen	LGSS Pensions Governance Officer
Joanne Walton	LGSS Pensions Governance & Regulations Officer
Mark Whitby	LGSS Deputy Head of Pensions

There were no members of the public present.

10/15 Apologies for non-attendance and Declarations of Interest

Apologies were received from Audra Statham.

11/15 June 2015 Pension Committee meeting standing reports

At the Chairman's invitation, the LGSS Pensions Governance & Regulations Officer, Joanne Walton, introduced this report (copies of which had been previously circulated) and advised the Board that the standing items considered by the Pensions Committee where:

- Business Plan Update Report
- Employers Admissions and Cessations Report; and
- Governance and Legislation Report.

Members of the Board were invited to comment or ask questions.

The Local Pension Board discussed the item and raised the following points:

- It was noted that the Key Performance Indicators (KPIs) for 2015 were different to those set for 2016 and the question of how comparisons would be made was asked; and

- It was questioned how often the Business Plan was updated.

In response to questions from the Board, the LGSS Pensions Governance & Regulations Officer made the following comments:

- The different KPIs related to different financial years and had been set in accordance with the Business Plan;
- The Business Plan was updated on a quarterly basis to coincide with Pension Committee meetings.

The LGSS Deputy Head of Pensions made the following comment:

- The ten most important KPIs had been identified as part of the business planning process. While it was accepted that this made year-on-year comparisons difficult, the review of the KPIs was necessary in order to ensure that they covered the most important areas;

The Chairman suggested that in future it would be sufficient for members to have access to the agendas and reports of Pension Committee meetings so that any issues arising could be raised at meetings of the Board.

RESOLVED that the Local Pension Board noted the content of the report.

12/15 Annual General Meeting of the Northamptonshire Pension Fund 2014-15

In respect of discussion on this item it was:

RESOLVED: that under section 100A of the Local Government Act 1972 the public be excluded from the meeting for this item of business on the grounds that if the public were to be present it would be likely that exempt information under part 1 of schedule 12A to the act would be disclosed to them.

13/15 Conflicts of Interest Policy

At the Chairman’s invitation, Democratic Services Manager, Paul Hanson introduced this report (copies of which had been previously circulated) and made the following points:

- The Council was obliged to put in place a conflicts of interest policy in respect of the Local Pension Board and there was a corresponding duty on Board members to register and disclose any conflicts or potential conflicts;
- The Council’s Code of Conduct was based upon the Seven Principles of Public Life, in accordance with the relevant statutory requirements;
- The report set out the suggested process for identifying, monitoring and managing conflicts and had drawn upon the guidance and also information available from the Pensions Regulator; and
- Some practical examples of conflicts were set out in the policy itself.

RESOLVED that the Local Pensions Board reviewed and adopted the Conflicts of Interest Policy.

14/15 Knowledge Management Policy for Northamptonshire Pension Fund Board Members

At the Chairman's invitation, the LGSS Pensions Governance & Regulations Officer, Joanne Walton, introduced this report (copies of which had been previously circulated) and highlighting the following:

- The policy was required in order to secure compliance with the relevant statutory requirements and to ensure that Board members had the appropriate level of knowledge to assist the administering authority in its role;
- The policy was essentially the same as that put in place for the Pensions Committee, but it was felt that it was appropriate that the Board have its own policy rather than sharing a single document; and
- The policy had been drafted around the suggested eight areas of skills and knowledge suggested by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Local Pension Board discussed the item and raised the following points:

- It was questioned whether targets should be set for Board members;
- The point that different individuals learned at different rates and in different ways was raised; and
- It was felt that some training provided to date had been focussed required a higher level of prior knowledge than Board members currently possessed.

The LGSS Pensions Governance & Regulations Officer stated that the knowledge and understanding requirements were challenging but the authority would seek to manage this by matching training to topics under consideration. For example, the fund valuation was undertaken every three years and would need to happen in 2016, so training next year could focus on that area. The Democratic Services Manager suggested that personal training logs could be maintained to enable members to identify training needs more clearly.

RESOLVED that the Knowledge Management Policy for Northamptonshire Pension Fund Board Members be approved.

15/15 Reporting Breaches of the Law to the Pensions Regulator Policy

At the Chairman's invitation, the LGSS Pensions Governance & Regulations Officer, Joanne Walton, introduced this report (copies of which had been previously circulated) and highlighting the following:

- The report was similar to that developed for the Pensions Committee;
- The policy had been drawn up in light of the Code of Practice from the Pensions Regulator and identified those individuals responsible for reporting breaches of the law and the associated legal requirements; and
- The Board's attention was drawn to the fact that there were different requirements in place depending on the seriousness of the breach.

The Local Pension Board discussed the item and raised the following points:

- In relation to paragraph 11.1 of the policy, the question about the identity of the responsible officer was raised;
- In terms of the example breaches set out at Appendix 1 of the document, it was suggested that there where breaches were concerned with the provision of information by employers or late payments, it would be difficult for the Board to find out about such activities; and
- It was pointed out that a single individual could raise a concern to the Board.

In response to questions from the Board, the LGSS Pensions Governance & Regulations Officer made the following comments:

- The responsible officer for the purposes of paragraph 11.1 was any member of the LGSS Pensions Team; and
- Late payments were a serious breach and were regularly reported to the Pensions Committee.

RESOLVED that the Board reviewed the attached Reporting Breaches of the Law to the Pensions Regulator Policy.

16/15 Governance Policy & Governance Compliance Statement

At the Chairman's invitation, the Democratic Services Manager, Paul Hanson introduced this report (copies of which had been previously circulated) and made the following points:

- It was a requirement for the Administering Authority to publish a Governance Policy and Compliance Statement since the Local Government Pension Scheme (Administration) Regulations 2008 came into force;
- The Governance Policy and Compliance Statement incorporates a statement on how compliant the Administering Authority is against a set of best practice principles issued by the Department of Communities and Local Government;
- The compliance statement is intended to ensure transparency, accountability and stakeholder involvement; and
- Any comments made by the Board would be referred back to the Pensions Committee when it next reviewed the policy in December 2015.

The Local Pension Board discussed the item and raised the following points:

- It was questioned whether any new bodies established as part of the Council's 'Next Generation Council' programme would be employers in their own right and whether, if so, they would be entitled to a place on the Board or the Pensions Committee;
- A question as to whether the Council would be financially liable to the fund for employees that moved to the new organisations was asked;
- It was suggested that issues could be caused in the future if some of these bodies were privatised.

The LGSS Deputy Head of Pensions made the following comment:

- Any new organisations created would be admitted bodies. As they would be partly or wholly owned by the Council, there was a question of where employer reps would be drawn from;
- Work would need to be undertaken to allocate assets and liabilities in a Next Generation model;
- The funding level of the relevant bodies now and in the future would be looked at; and
- It would be easier to manage if the new bodies were to use LGSS for their back office services.

The Democratic Services Manager stated that the Local Pension Board itself was set up to cope with such changes.

RESOLVED that the Board reviewed and commented on the Governance Policy and Governance Compliance Statement.

There being no further business, the meeting concluded at 15.11pm.

NORTHAMPTONSHIRE PENSION FUND

LGSS

LOCAL PENSION FUND BOARD

21 January 2016

Report by: THE HEAD OF PENSIONS

Subject:	**October and December 2015 Pension Committee meetings standing reports.**
Purpose of the Report	To provide the Pension Fund Board with an executive summary of the standing items discussed at the October and December 2015 Pension Committee meetings.
Recommendations	**That the Pension Fund Board note the contents of this report.**
Enquiries to:	Joanne Walton – LGSS Pensions Governance and Regulations Manager Tel – 01604 367030 jwalton@northamptonshire.gov.uk

1. Background

1.1 This report is to bring the Pension Fund Board with an executive summary of the information contained within the standing items on the agenda of the October and December 2015 Pension Committee meetings.

1.2 The standing items were:

- Business Plan Update Report
- Overpayment of Pensions Report
- Employers Admissions and Cessations Report; and
- Governance and Legislation Report.

1.3 The full reports can be found at the links detailed in section 13 of this report.

2. Business Plan Update Report

2.1 Good governance dictates that each Pension Fund should adopt a Business Plan detailing the Fund's objectives and setting out key priorities for the 2015-16 and in some cases, subsequent years.

2.1.1 The Annual Business Plan and Medium Term Strategy 2015-16 to 2017-18 was approved by the Pension Committee at the meeting held on 23 March 2015 and can be found on the LGSS Pensions Service website at the following link;

http://pensions.cambridgeshire.gov.uk/wp-content/uploads/2015/04/NPF-Annual-Business-Plan-and-Medium-Term-Strategy-2015-16-to-2017-18-for-web.pdf

2.1.2 Updates on the progress made against the Business Plan are presented to the Pensions Committee at every meeting. The updates highlight the progress made on the Fund's activities, its achievement on the key performance indicators and also any other initiatives during each quarter of 2015-16 as laid out in the Business Plan.

2.1.3 A summary of the items within the Business Plan Update presented at the October and December 2015 Pension Committee meetings are as follows;

2.2 Key Fund activities

2.2.1 The Annual Business Plan 2015-16 lays out the key activities facing the administration and governance of the Local Government Pension Scheme. The plan relates to the Fund's objectives as well as changes in regulations, in order to ensure that actions taken are clearly defined and for a specific purpose. A number of these activities link directly to the Fund's policies, strategies and contractual services in order to ensure functions are being carried out effectively.

2.2.2 The table below shows a selection of the key Fund activities and provides an update on how the Fund has been working towards these actions as at November 2015.

Implementing the 2015 governance changes. Embed the Pensions Regulator Code of Practice – Governance and administration of public service pension schemes.	The Pension Regulator's Code of Practice continues to be embedded throughout the year within existing processes to strengthen controls in such areas of contribution monitoring, skills and knowledge and the establishment of processes through which to report breaches of the law. LGSS Pensions are working with the Fund's Benefit Consultants, Hymans Robertson, to produce a robust Knowledge Management Policy for the Committee to approve later in the financial year.	Ongoing process throughout 2015-16 into 2016-17.
Customer satisfaction. Organisational Workforce Development to facilitate Customer Service Excellence Standard training with a view to achieving this Standard.	The Project Team met in November to complete the customer journey map for the contribution monitoring process. Thereafter, all teams will provide evidence for their agreed Customer Service Excellence criteria. Pre-assessment for the standard to be arranged for the end of the financial year.	Ongoing process throughout 2015-16 into 2016-17.
Customer satisfaction. Carry out customer satisfaction surveys.	During October all members going through key processes (excluding death or divorce) have received a customer satisfaction survey asking for their views and the overall experience provided by the Service. The next stage will be to analyse the results and look for any improvements that can be made to the Service.	Ongoing process throughout 2015-16 into 2016-17.
Source efficiencies to reduce the cost of administering the Fund. Improve employer performance.	The format of the Employer Forums held in November 2015 was updated in light of the Employer Survey results (Appendix 1) to include workshops on specific subjects. The topics included the year end submission process, pensionable pay calculations, pension implications on outsourcing and employer	Ongoing process throughout 2015-16.

	discretions. Positive feedback was received from those attending and as such these areas will be incorporated into the 2016-17 training plan as well as forums in the future.	
Source efficiencies to reduce the cost of administering the Fund. Promote greater use of employer and member self- service facility.	Of the active 39,321 Members across both Funds, 6,547 (16.65%) have registered to use Member Self Service and have logged on for the first time to access their individual pension record. Of the 38,972 deferred members across both Funds, 1,146 (2.94%) have registered for the service.	Throughout 2015-16

2.3 Contribution reporting

2.3.1 The following table shows the percentage of employers in the Northamptonshire Pension Fund who paid their employee and employer contributions either on time or late (after the 19th of the month following deduction) for the period 1 October 2014 to 30 September 2015.

Contributions	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Paid on time (%)	98.1	98.1	96.2	97.1	98.2	94	96.9	96.4	96.4	97.1	97.4	97.9
Paid late (%)	1.9	1.9	3.8	2.9	1.8	6	3.1	3.4	3.6	2.9	2.6	2.1

2.3.2 The following table shows the percentage of employers in the Northamptonshire Pension Fund who submitted their payment schedules either on time or late for the period 1 April 2015 to 30 September 2015.

Schedules	Apr	May	Jun	Jul	Aug	Sep
Submitted on time (%)	86.3	92.8	89.5	93.8	90.3	92.8
Submitted late (%)	13.7	7.2	10.5	6.2	9.7	7.2

2.3.3 In line with the Pension Regulator's Code of Practice, LGSS Pensions Service are working with the employers who are paying over contributions later than the statutory deadline and submitting late returns to ensure compliance each month going forward. Employers that persistently pay over late or submit late schedules may be reported to the Pensions Regulator if the breach is deemed as material.

2.3.4 To give further strength to this issue and to demonstrate to the Pensions Regulator that suitable controls are in place a policy entitled "Payment of Employee and Employer Pension Contributions" was drafted and approved at the Pension Committee meeting of the 18 December 2015. This policy will be discussed in detail as an agenda item at this meeting of the Pension Fund Board.

2.4 Administration and Investment Expenses

2.4.1 Below is how the Fund has performed against the financial forecast detailed in the Annual Business Plan for 2015-16.

2.4.2 The £45,000 variance is related to an under spend on staff costs due to a number of vacancies that were in place at the beginning of the financial year which continue to be recruited to.

2015-16 (as at 31 October 2015)	**Original estimate** (£'000)	**Full year forecast** (£'000)	**Variance** (£'000)
Administration expenses (a+b):	1,794	1,749	-45
a) LGSS Pensions Service	1,220	1,175	-45
b) County Council related overheads	574	574	
Direct Fund – governance related	415	415	
Direct Fund – investment related	270	270	
Total administration, governance and investment expenses	2,479	2,434	-45

2.5 Key Performance Indicators

2.5.1 Below are the results of how the Fund has performed against the Key Performance Indicators set out in the 2015-16 Annual Business Plan in respect of the period July to October 2015.

Pensions Service KPIs

Function/Task – Key Performance Indicators	**Indicator**	**Target**	**May – July Within Target**	**Aug – Oct Within Target**
Notify leavers of deferred benefit entitlement.	Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information.	90%	99%	94%
Payment of retirement benefits from active employment.	Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later.	95%	96%	99%
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	100%	99%
Provide a maximum of one estimate of benefits to employees per year on request.	Estimate in agreed format provided within 10 working days from receipt of all information.	90%	87%	77%*
Provide transfer-in quote to scheme	Letter issued within 10 working days of receipt of	95%	95%	69%**

member.	all appropriate information.			
Notify the employer and scheme members of changes to the scheme rules.	Within one month of the LGSS Pensions Service being informed of the change.	95%	N/A%	N/A
Issue annual benefit statements to active members as at 31 March each year.	By the following 31 August (pending timely receipt of satisfactory year end data from the scheme employer).	100%	97.8%***	N/A

*	*Target missed due to an increased volume of estimate requests. Estimate requests are 80% higher than this time last year. Additional promotion of Member Self-Service is taking place to encourage members to access estimates via this Service.*
**	*Target missed due to the additional training and support required for new staff deployed to this area to ensure the Service has multi-skilled officers for the long term.*
***	*The 2.17% of statements not being issued by 31 August 2015 was due to late, inaccurate or non submission of year end data from the employer. All remaining statements were issued by 30 November 2015.*

Scheme Employers KPIs

Function/Task –Key Performance Indicators	Indicator	Target	May – Jul Within Target	Aug – Oct Within Target
Arrange for the correct deduction of employee and employer contributions to Pension Fund in a timely manner, providing an associated monthly statement/schedule in a format acceptable to the Administering Authority.	Contributions to be received by individual employers by 19th calendar day of month after deduction and statement/schedule was received by the same date as payment.	100%	95%	96.3%*
Provide LGSS Pensions Service with accurate year end information in the prescribed format.	Accurate year end information to be provided for all scheme members by 30 April following contribution year end.	100%	N/A	N/A**
Provide LGSS Pensions Service with all necessary information regarding new starters and hours/weeks per year variations in a format acceptable to the Administering Authority.	Accurate information provided within 10 working days of the relevant calendar month end or within 30 days of commencement/change if earlier where employer automatic enrolment duties apply.	95%	66.7%	44.4%***

*	*Target missed due to an increased volume of estimate requests. Estimate requests are 80% higher than this time last year. Additional promotion of Member Self-Service is taking place to encourage members to access*

	estimates via this Service.
**	*Target missed due to the additional training and support required for new staff deployed to this area to ensure the Service has multi-skilled officers for the long term.*
***	*The 2.17% of statements not being issued by 31 August 2015 was due to late, inaccurate or non submission of year end data from the employer. All remaining statements were issued by 30 November 2015.*

3. Overpayment of Pensions Report

3.1 LGSS Pensions Service report to the Pension Committee each quarter on the value of overpayments of pension that have occurred in the previous quarter and the status of the overpayments that are in the process of being recovered or written off. This follows the approval of the "Overpayment of Pension Policy" at the Pension Committee meeting on the 23 October 2015 which can be found at the following link;

http://pensions.northamptonshire.gov.uk/wp-content/uploads/2015/11/Overpayments-of-Pension-Policy.pdf

3.2 For the period 1 April to 31 July 2015 the following overpayments of pension occurred;

Overpayment Type	Action	Amount	Total
Retirement	Written off	£10.50 (1 case)	£10.50
	Recovery	£0	
	Recovered	£0	
Death of a pensioner/dependent	Written off	£1,163.37 (18 cases)	£2,468.24
	Recovery	£1,304.87 (3 cases)	
	Recovered	£0	

3.3 For the period 1 August to 31 October 2015 the following overpayments of pension occurred;

Overpayment Type	Action	Amount	Total
Retirement	Written off	£0	£9.88
	Recovery	£0	
	Recovered	£9.88 (1 case)	
Death of a pensioner/dependent	Written off	£1,509.82 (26 cases)	£5,770.90
	Recovery	£4,261.08 (10 cases)	
	Recovered	£0	

3.4 The three overpayments totalling £1,304.87 from the 1 April to 31 July 2015 period remain outstanding and the process of recovery is being managed through the LGSS Debt Management Team who will continue to chase the debt until it is paid or a decision is made to write the amount off.

3.5 The total overpayment value in the process of recovery therefore stands at £5,565.95 (£1,304.87 and £4,261.08) for the period 1 April to 31 October 2015.

4. Employers Admissions and Cessations Report

4.1 The Local Government Pension Scheme Regulations 2013 (as amended) [the Regulations] provide for the admission of a number of different types of body to the Local Government Pension Scheme; scheduled bodies, designating bodies, and admission bodies.

4.2 The Employers Admissions and Cessations Report provides an update of bodies that are admitted and requests Pension Committee approval to admit admission bodies to the scheme. The report also details the cessation of bodies from the scheme.

4.3 At the Pension Committee meeting of the 23 October 2015 the following activity occurred;

Pension Committee action:	Scheme Employer
Noted the admission of the following scheduled bodies:	Ecton Village Primary School
	Kings Cliffe Endowed Primary School
	Oundle CE Primary School
Noted the admission of the following admission bodies:	G4S
	South Warwickshire Foundation Trust
Noted the admission of the following designating bodies:	East Hunsbury Parish Council
	Wootton, Wootton Fields and Simpson Manor Parish Councils
Noted the withdrawal of:	Wootton and East Hunsbury Parish Council

4.4 At the Pension Committee meeting of the 18 December 2015 the following activity occurred;

Pension Committee action:	Scheme Employer
Noted the admission of the following admission body:	KGB Cleaning Ltd
Noted the withdrawal of:	Cater Link Ltd – Denfield contract
	NHS Arden

5. Governance and Legislation Report

5.1 The Governance and Legislation Report identifies issues concerning the governance of the LGPS and also new, amending and overriding legislation that will have an impact on how the Scheme is managed and on members' benefits. The report also provides details of relevant consultations affecting the LGPS and forthcoming training events.

5.2 The following sections summarise the information contained within the Governance and Legislation reports presented to the Pension Committee in October and December 2015.

5.3 Activity of the LGPS Scheme Advisory Board

5.3.1 In June 2015 the Scheme Advisory Board released a proposal for assistance in developing options for separation of the host authority (administering authority) from the Pension Fund as part of its 2015-16 work plan.

5.3.2 KPMG was successful in tendering for this work and presented their findings to the Board on 21 September 2015. Although no further detail has officially been released from the Scheme Advisory Board, there was a presentation by KPMG at the Pensions and Lifetime Savings Association (previously known as NAPF) Local Authority Forum on 3 November 2015.

5.3.3 KPMG's presentation can be found at the link below and identifies the potential conflicts that exist in the current governance arrangements, the conflicts that could exist and the associated advantages and disadvantages (ranging from cost of change to accountability) in the three proposed options. The presentation does not go as far as to propose a preferred option.

http://www.plsa.co.uk/Your_recent_event_2/Local_Authority_Forum/~/media/Image%20Library/Events/Forums/2015/LA%20Forum/Speaker%20presentations/1410-Urrffa-Rafiq.pdf

5.3.4 The Scheme Advisory Board have since stated (at the recent CIPFA Pensions Network Annual Conference) that asset pooling will have an effect on future governance arrangements and so the matter of separation of the Pension Fund from the host authority will be looked at again once the situation is clear.

5.3.5 The Scheme Advisory Board has undertaken, with support from DCLG, a national exercise to benchmark the performance of all LGPS Funds in England and Wales during late 2015 prior to a mandatory exercise linked to the 2016 triennial valuations.

5.3.6 Collectively the 18 LGPS self-assessment key indicators are designed to help the Scheme Advisory Board to nationally assess the relative health of the funds and scheme as a whole. More importantly, the indicators are intended to be a valuable benchmarking tool for administering authorities, and the newly formed Local Pension Boards, to help with the governance process and continuous improvement.

5.3.7 The Scheme Advisory Board have asked all LGPS funds to provide data on the KPIs using 2014-15 information (and 31 March 2013 for actuarial data unless more recent data is available). By taking part in this exercise it is an opportunity for the Fund to:

- Assess the Fund against the examples of best practice for high performing Funds and the examples of concern for each KPI;
- Inform the Scheme Advisory Board how much effort/time/cost undertaking the exercise consumed compared with that reported by the pilot Funds; and
- Provide general feedback on the KPIs and the examples of best practice and the examples of concern, and to offer suggestions for their further clarification, refinement, and improvement.

5.3.8 The Scheme Advisory Board secretariat will consider the outcome from the 2015 exercise during December 2015. The Scheme Advisory Board will make recommendations to DCLG about the KPIs as part of the 31 March 2016 triennial valuation process. They will then be issued in April 2016 and from December 2016 used as tool to assess and support Funds accordingly.

5.4 The Pensions Regulator

5.4.1 In June 2015 the Pensions Regulator published its public service pension schemes Compliance and Enforcement Policy which can be found at the following link;

http://www.thepensionsregulator.gov.uk/doc-library/strategy-and-policy.aspx#s18493

5.4.2 The policy sets out the Pensions Regulator's approach to compliance and enforcement in relation to public service pension schemes. It describes the Pensions Regulator's expectations for compliance with relevant legal requirements and how they will proceed in cases of non-compliance, including when they may use their enforcement powers.

5.4.3 The Policy on Reporting Breaches of the Law to the Pensions Regulator as approved at the 18 December 2015 meeting of the Pension Committee demonstrates the Fund's understanding of its legal duties and to implement effective controls to prevent any non-compliance with the law.

5.4.4 LGSS Pensions participated in a Pensions Regulator survey on the governance and administration standards in public service pension schemes.

5.4.5 The results of the survey will play a key part in the Pensions Regulator's understanding of how schemes are meeting the legal requirements and the standard to which public service pension schemes are being run. The results of the survey will help the Pensions Regulator focus their efforts on areas where they may most usefully provide more guidance, education and support to raise standards. The Pensions Regulator will also use the information gathered to risk assess schemes for intervention as set out in the Pensions Regulator's Compliance and Enforcement Policy.

5.4.6 The Pensions Regulator has now produced a report on the data gathered. Full details of the report will be presented to the Board at a future meeting.

5.5 Legislation

5.5.1 The Pension Savings Statements for the Pension Input Period that ended 31 March 2015 were issued by the statutory deadline of 6 October 2015. These statements are issued to those LGPS members that have exceeded the Annual Allowance of £40,000 in that Period by virtue of their pension saving in the Pension Fund. The letter accompanying the statements indicate whether it is clear that an Annual Allowance Charge is due or whether it appears that the member has sufficient Carry Forward from previous years to cover the excess in 2014-15. It is a member's personal responsibility to determine whether a Charge will be due, taking into account all of their Pension Savings not just that in the LGPS, and the amount of that Charge. If the Charge is greater than £2,000 the member may request that the Scheme pays the Charge to HMRC on their behalf, and has a reduction to their pension entitlement applied, based on actuarial tables issued by the DCLG.

5.5.2 On 13 October 2015 it was reported that the September 2015 Consumer Price Index (CPI) was a negative value of -0.1%. The Public Services Pensions Act 2013 requires that where there is a percentage decrease the Treasury Order must be approved by both the House of Commons and the House of Lords for it to become law. As yet, nothing has been confirmed concerning the likelihood, or otherwise, of a negative revaluation percentage being passed in law.

5.6 Department for Communities and Local Government – LGPS Funds England 2014-15 – Statistical Release (October 2015)

5.6.1 The DCLG Statistical Release provides information on LGPS Funds in England that was gathered via the SF3 return that were submitted by all 81 Administering Authorities. The SF3 return collects information on LGPS Funds' income, expenditure, membership, retirements and other activities. It also shows other associated information for the 2014-15 financial year and changes over the previous years.

5.6.2 The Statistical Release including data going back to 2005-06 can be found at the following link;

https://www.gov.uk/government/statistics/local-government-pension-scheme-funds-for-england-2014-to-2015

5.7 Consultations

5.7.1 The Government launched their "Public sector exit payment cap consultation" on 31 July 2015 and this ran until 27 August 2015 and sought views on proposals to legislate for a £95,000 cap on the total value of exit payments made to an individual in relation to their exit from a public sector employment.

5.7.2 On 16 September 2015 the Government has published its response to the consultation to confirm that the Government plans to proceed with the introduction of the cap and it is currently making its way through the House of Lords. During the Bill's passage, the LGA will be making efforts to secure meetings with Government officials to discuss how the cap would work in practical terms. The Government's response to the consultation can be found at the following link;

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/464367/Public_sector_exit_payments_response.pdf

5.7.3 On 8 July 2015 the Government released a consultation entitled "Strengthening the incentive to save: a consultation on pensions tax relief" to seek views on whether there is a case for reforming pensions tax relief or simply retaining the current system. The consultation closed on 30 September 2015.

5.7.4 In a parliamentary answer on 27 October, the Chancellor of the Exchequer said that further details on the reform will be unveiled in the Budget 2016.

5.7.5 On 20 October 2015 the Government published a consultation on the draft Pensions Act 2014 (Abolition of Contracting-out for Salary Related Pension Schemes) (Consequential Amendments) Order 2016. The consultation invited views on changes to other secondary legislation to take account of the abolition of contracting-out from 6 April 2016.

5.7.6 The consultation ran from 20 October 2015 to 16 November 2015 and can be found at the following link;

https://www.gov.uk/government/consultations/salary-related-pension-schemes-abolition-of-contracting-out-consequential-amendments

6. Relevant Pension Fund Objectives

Perspective	Outcome
Governance	• To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies. • Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.
Communications	• Promote the Scheme as a valuable benefit. • Deliver a clear and consistent message; that is simple, relevant and impactful, uses plain English throughout and engages all levels of stakeholders' understanding. • Provide clear information about the Scheme, including changes to the Scheme, and educate and engage with members so that they can make informed decisions about their benefits. • Seek and review regular feedback from all stakeholders about communication and shape future communications appropriately. • Look for efficiencies in delivering communications including through greater use of technology and partnership working.
Administration	• Provide a high quality, friendly and informative administration service to the Funds' stakeholders. • Administer the Funds in a cost effective and efficient manner utilising technology. • Ensure the Funds and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Funds. • Put in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary. • Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount. • Maintain accurate records and ensure data is protected and has authorised use only. • Understand the issues affecting scheme employers and the LGPS in the local and national context and adapt strategy and practice in response to this.
Funding and Investment	• To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions. • To ensure that sufficient resources are available to meet all liabilities as they fall due. • To maximise the returns from its investments within reasonable risk parameters.

7. Finance & Resources Implications

7.1 Not applicable.

8. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There are no risks associated with this report.		

b) Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
There are no risks associated with this report.	

9. Communication Implications

9.1 Not applicable.

10. Legal Implications

10.1 Not applicable.

11. Consultation with Key Advisers

11.1 Not applicable.

12. Alternative Options Considered

12.1 Not applicable

13. Background Papers

13.1 Standing reports from 23 October 2015 meeting of the Pension Committee –

https://cmis.northamptonshire.gov.uk/cmis5live/MeetingsCalendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/2534/Committee/412/Default.aspx

13.2 Standing reports from 18 December 2015 meeting of the Pension Committee –

https://cmis.northamptonshire.gov.uk/cmis5live/MeetingsCalendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/2535/Committee/412/Default.aspx

14. Appendices

Appendix 1 – Employer Survey Results 2015

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Director of Finance/Section 151 Officer?	Not applicable
Has this report been cleared by Head of Pensions?	Mark Whitby – 04/01/2016
Has this report been cleared by Legal Services?	Not applicable

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Appendix 2
LGSS Pensions Employer Survey - 2014/15

Richard Sultana
Employer Liaison & Communications Officer

LGSS

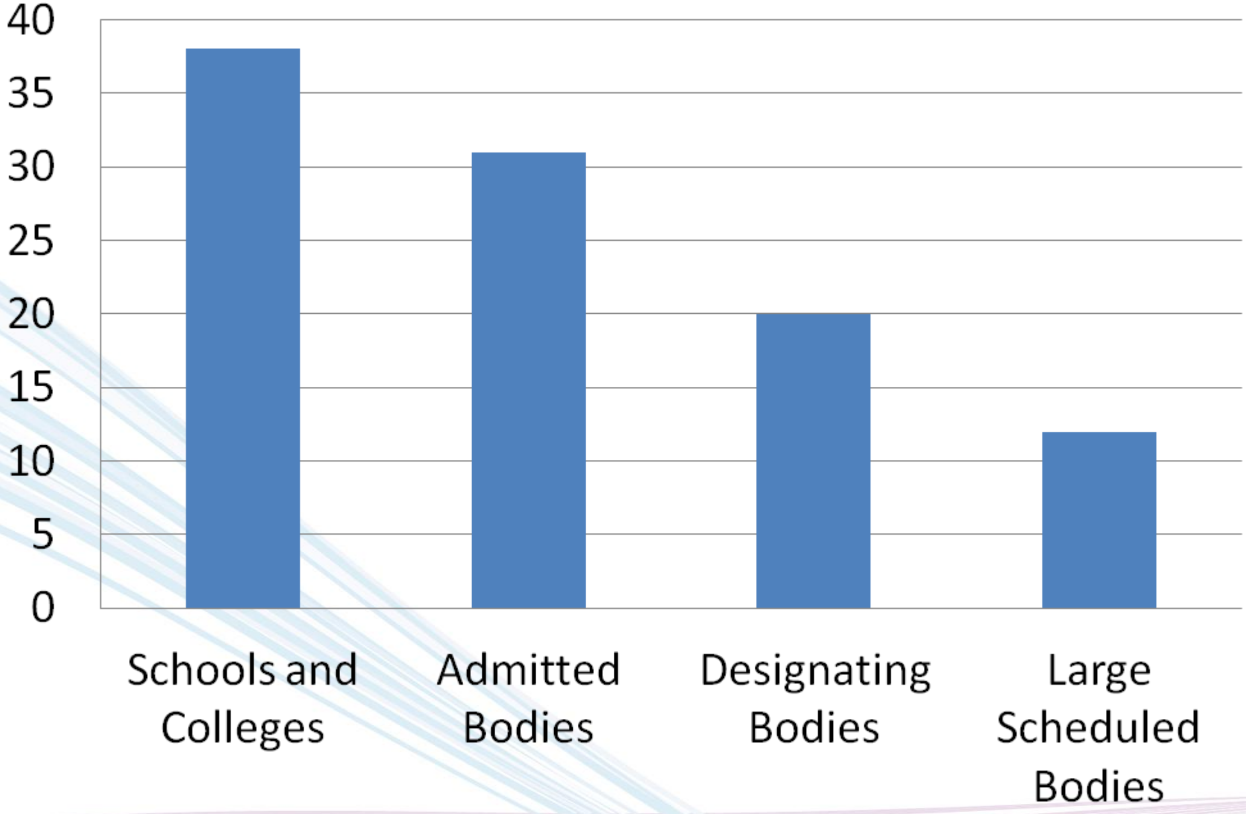
The Survey

- 621 invitations sent out to complete the survey
- Our Employers asked to comment on our performance in the following areas:
  - Responding to communication from employers
    - Speed and quality
  - Our communication with employers
    - Bulletins
    - Employer Forums
    - Website
    - Training
  - Awareness of Governance

LGSS

Responses

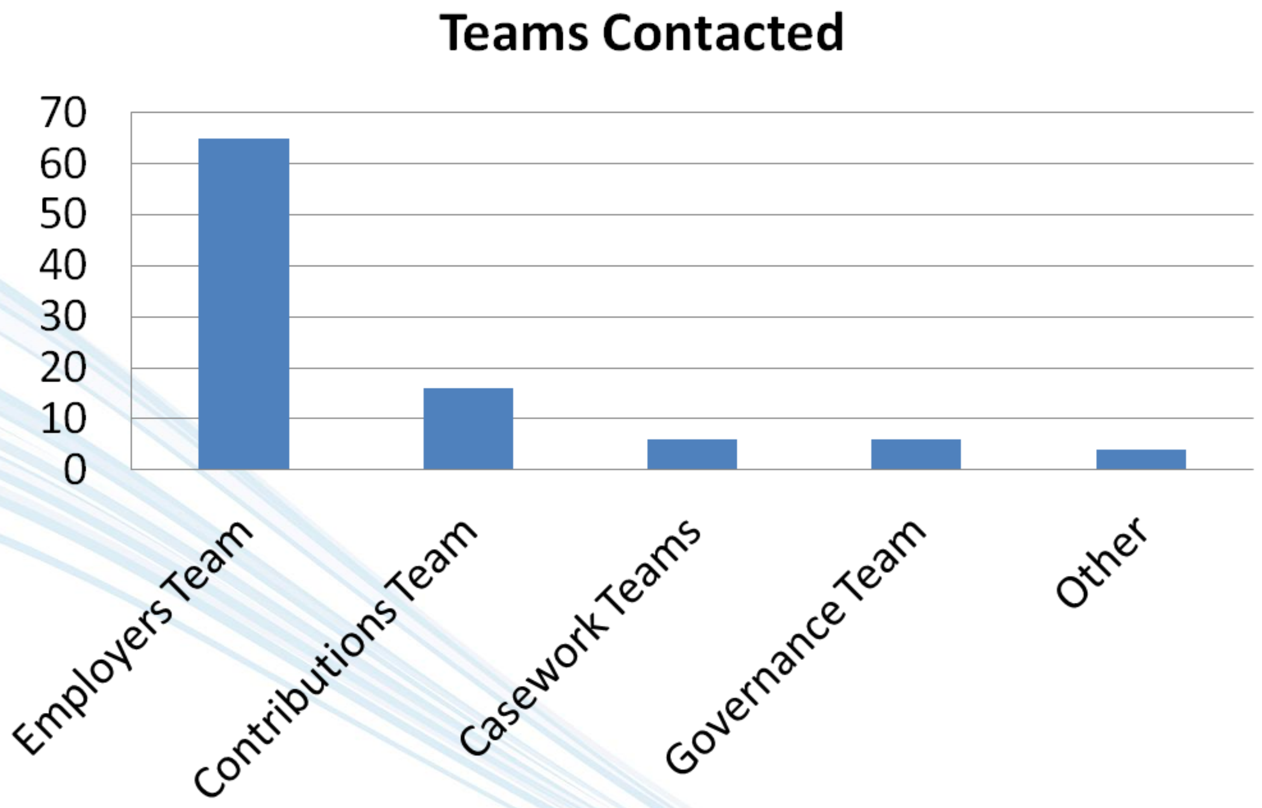
- 101 responses received



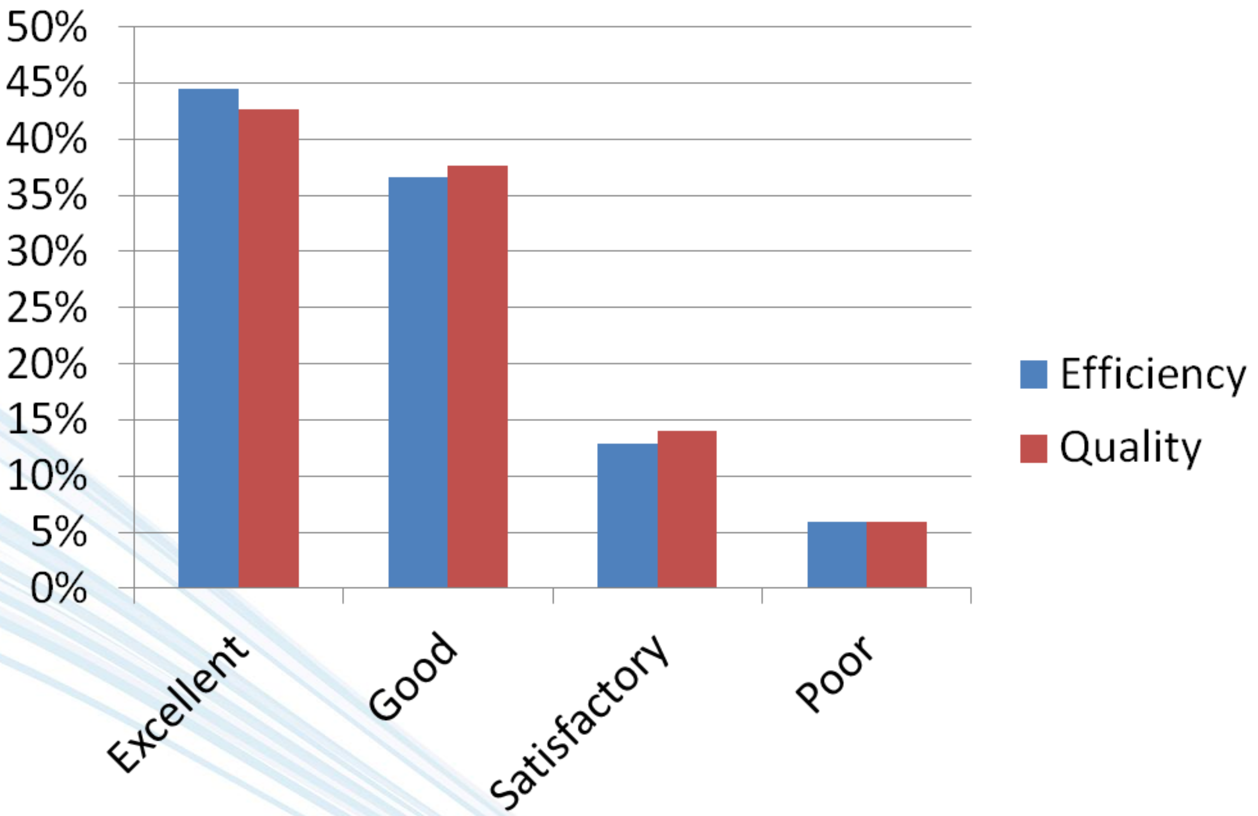
LGSS

Communicating with LGSS

- 86% of respondents had contacted us in the last 12 months



Efficiency and Quality of responses to employers



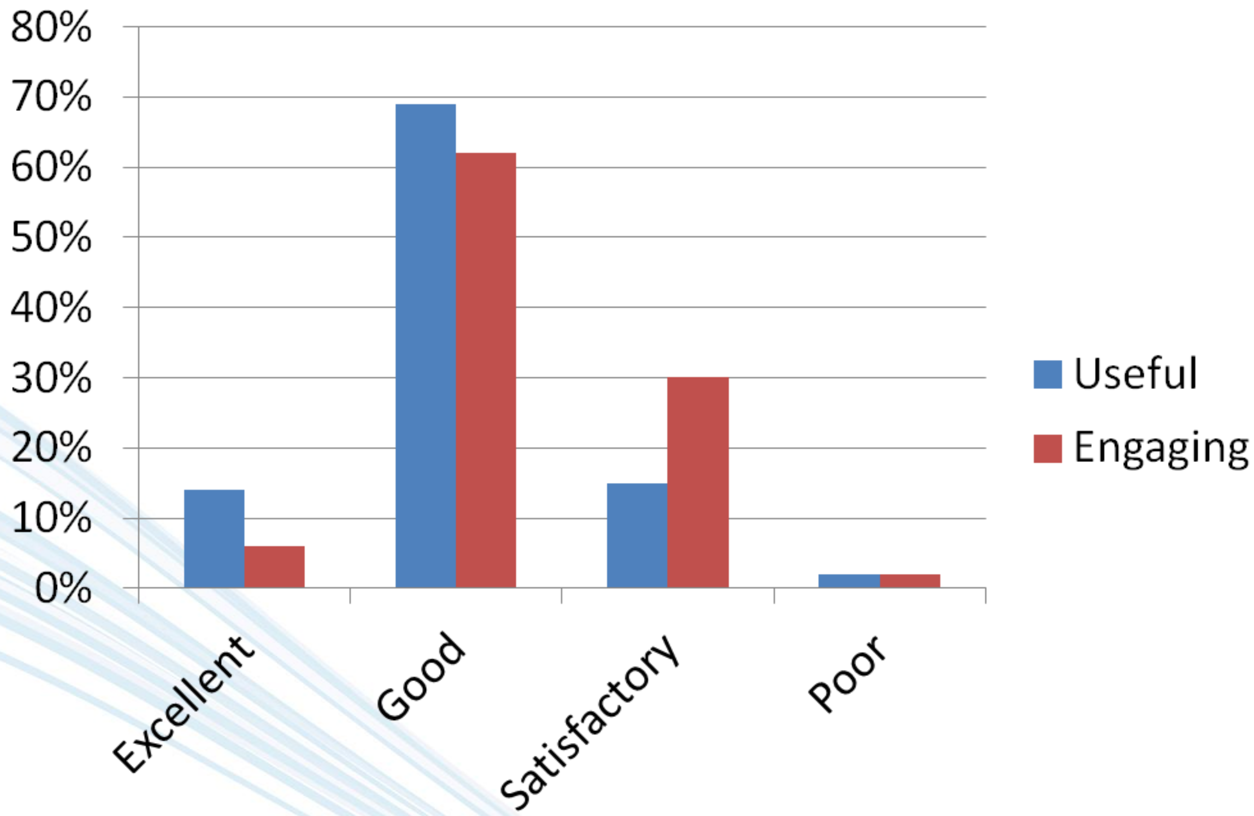
LGSS

Employer Bulletins

- 85.5% of respondents had read at least one of our bulletins released in the last 12 months
- 14.5% had not read any of the bulletins
  - Did not receive them or too busy
- We asked for feedback on the quality of each bulletin in terms of usefulness and how engaging they were.

LGSS

Employer Bulletins



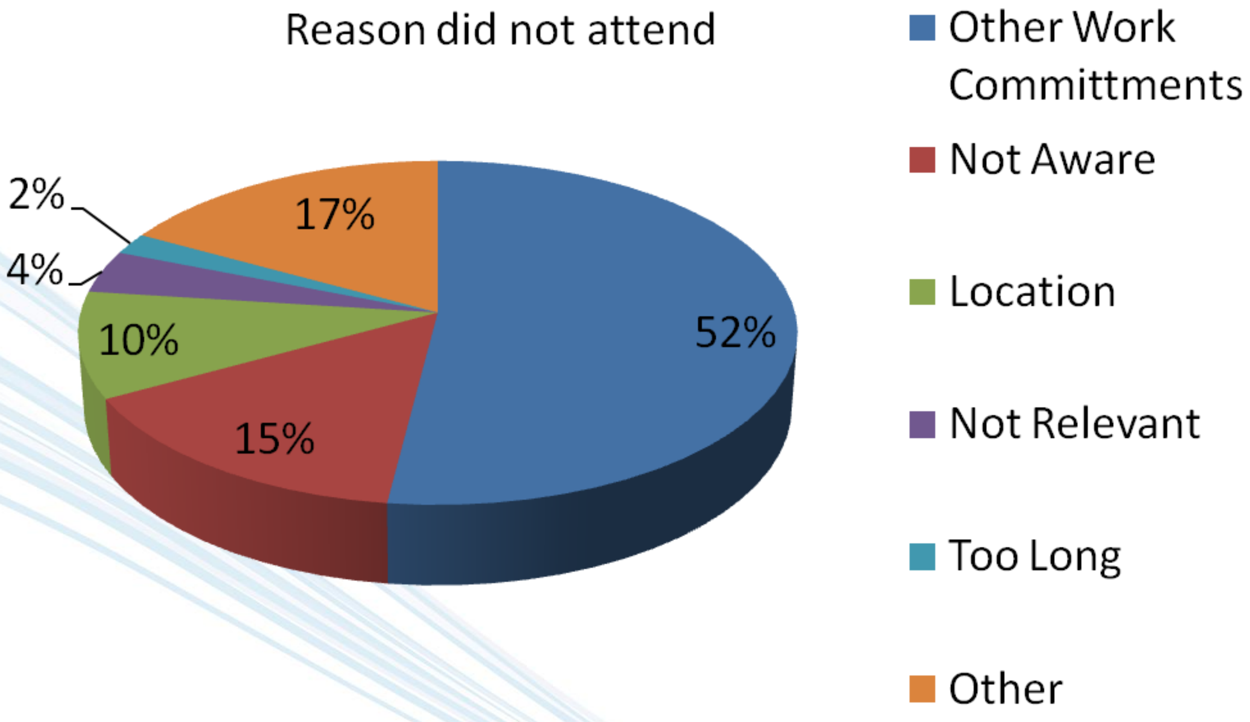
LGSS

Employer Bulletins - Feedback

- Usefulness – 7 comments received
  - Too technical
  - Too much jargon
- Engaging – 17 comments received
  - Pensions is not an engaging subject
  - Too wordy
  - Too much jargon
  - Complex subject matter
  - Prefer paper or PDF not link website

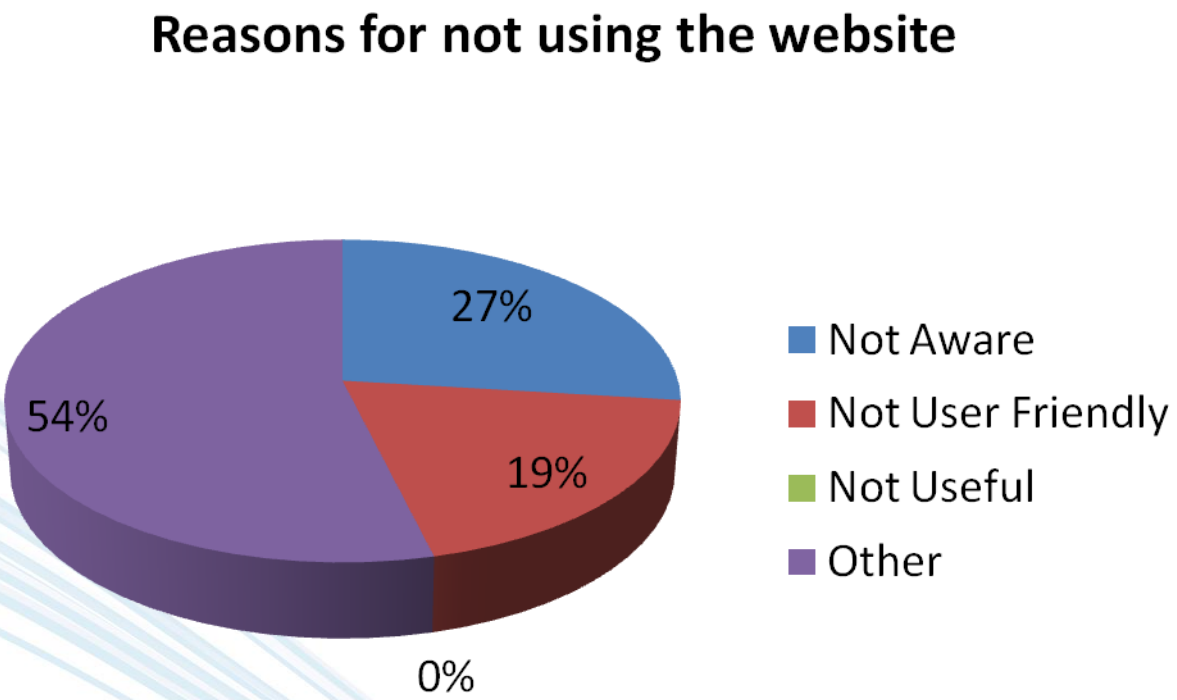
Employer Forums

- Only 31.4% of respondents had attended the employer forum last year



Website

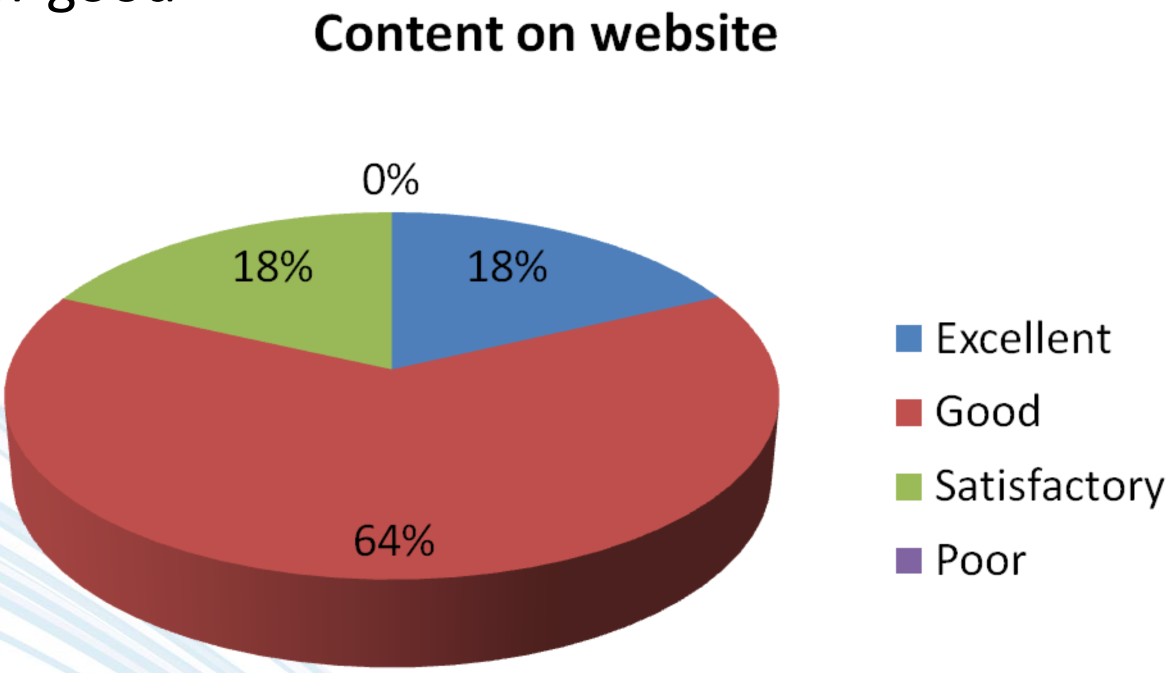
- 54% of respondents had used the website in the last 12 months



LGSS

Website - Content

- 82% of respondents found the content on the website to be excellent or good

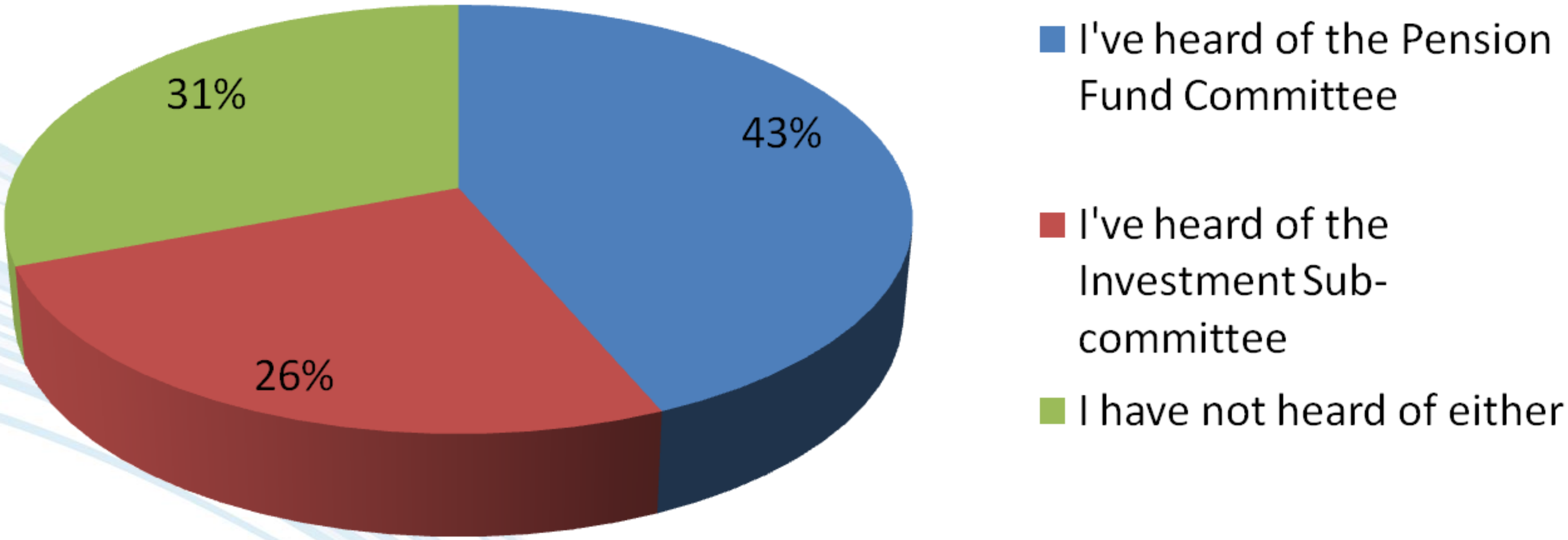


LGSS

Training

- 50% of respondents had attended employer training in the last 12 months
- Of these, 93% said the training met their needs
- Awareness of training is low
- Employer Responsibilities and Pensionable Pay most popular topics
- Step-by-step guides, presentations & workshops

Awareness of Governance



- 74% of respondents have not read key governance reports

What do we intend to do with the results

- Inform employers of the outcome

  - Bulletin to go out shortly to employers outlining results

  - Short presentation in employer forums in October
- Feedback to LGSS
- Act on their feedback as much as possible
  - Website will be changing with dedicated Member and Employer sites.
    - Member site to be managed by Heywoods
  - Forums to be more interactive
    - Summary webinars
    - Workshops
  - Review the current format and timing of bulletins
  - Separate Pensionable Pay workshops
  - Employer induction programme

LGSS

Thank you, are there any questions?

LGSS

Agenda Item No: 5

NORTHAMPTONSHIRE PENSION FUND

LOCAL PENSION BOARD

21 January 2016

Report by: THE HEAD OF PENSIONS

Subject:	**Northamptonshire Pension Fund Annual Report and Statement of Accounts 2014-15**
Purpose of the Report	To present the Northamptonshire Pension Fund Annual Report and Statement of Accounts 2014-15 to the Local Pension Board.
Recommendations	**That the Local Pension Board notes the Northamptonshire Pension Fund Annual Report and Statement of Accounts 2014-15**
Enquiries to:	Joanne Walton – LGSS Pensions Governance and Regulations Manager Tel: 01604 367030 jwalton@northamptonshire.gov.uk

1. Introduction

1.1 The Pension Fund's Statement of Accounts (SOA) form part of the County Council's Statement of Accounts and is covered by KPMG's audit opinion on those accounts.

1.2 The annual accounts are the financial representation of every activity that the Fund has been directly or indirectly involved with over the course of the 2014-15 financial year.

1.3 They are based on actual transactions accounted for within the Fund's financial ledger, information received from Fund Managers and the Fund's Custodian, and assumptions and estimations utilising the professional judgement of officers in order to give a true and fair statement of the Fund's financial position.

1.4 The publication of the Accounts is an essential feature of public accountability and stewardship as it provides information on how the Fund has used the members' funds for which it is responsible.

1.5 The Annual Report and Statement of Accounts 2014-15 was published on the LGSS Pensions Website by the statutory deadline of 30 November 2015.

http://pensions.northamptonshire.gov.uk/wp-content/uploads/2015/10/AnnualReport1415NPFFinalExclAppendices.pdf

2. Relevant Pension Fund Objectives

Perspective	Outcome
Communications	• Promote the Scheme as a valuable benefit. • Deliver a clear and consistent message; that is simple, relevant and impactful, uses plain English throughout and engages all levels of stakeholders' understanding. • Provide clear information about the Scheme, including changes to the Scheme, and educate and engage with members so that they can make informed decisions about their benefits. • Seek and review regular feedback from all stakeholders about communication and shape future communications appropriately. • Look for efficiencies in delivering communications including through greater use of technology and partnership working.
Administration	• Provide a high quality, friendly and informative administration service to the Funds' stakeholders. • Administer the Funds in a cost effective and efficient manner utilising technology. • Ensure the Funds and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Funds. • Put in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary. • Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount. • Maintain accurate records and ensure data is protected and has authorised use only. • Understand the issues affecting scheme employers and the LGPS in the local and national context and adapt strategy and practice in response to this.
Governance	• To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies. • Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.
Funding and Investment	• To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions. • To ensure that sufficient resources are available to meet all liabilities as they fall due. • To maximise the returns from its investments within reasonable risk parameters.

3. Finance & Resources Implications

3.1 Not applicable

4. Risk Implications

4.1 Not applicable

5. Communication Implications

Website	The Annual Report and Statement of Accounts 2014-15 was published on the LGSS Pensions Service website by 30 November 2015.

6. Legal Implications

6.1 Not applicable

7. Consultation with Key Advisers

7.1 Not applicable

8. Alternative Options Considered

8.1 Not applicable

9. Background Papers

9.1 Not applicable

10. Appendices

Appendix 1: Annual Report and Statement of Accounts 2014-15

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	Not applicable
Has this report been cleared by Head of Pensions?	Mark Whitby – 04/01/2016
Has this report been cleared by Legal Services?	Not applicable

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Northamptonshire
Pension Fund

Annual Report and Statement of Accounts 2014-15

LGSS

Contents

Introduction

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

The Statement of Accounts has been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom 2014/15 and the Financial Reports of Pension Schemes – A Statement of Recommended Practice (Pension SORP) 2007.

The accounts summarise the transactions of the Scheme and deal with the net assets at the disposal of the Pensions 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 Scheme which takes into account these obligations is available on the Northamptonshire County Council website, http://northamptonshire.gov.uk.

Mr M Bowmer

Director of Finance
(Section 151 Officer)

Dated 23 October 2015

Statement of Responsibilities

The Council's Responsibilities

The 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 Director of Finance (Section 151 Officer);
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Director of Finance Responsibilities

The Director of Finance 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 Director of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent; and
- complied with the Local Authority Code.

The Director of Finance (Section 151 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 2015 and of its income and expenditure for the year 2014-15, and authorise the accounts for issue.

Mr M Bowmer

Director of Finance
(Section 151 Officer)

Dated 23 October 2015

Chairman's Foreword

It is my honour and privilege to be Chairman of the Pensions Committee and my pleasure to introduce the Northamptonshire Pension Fund Annual Report and Statement of Accounts for 2014-15.

This has been a challenging year for all in the Local Government Pension Scheme with the new 2014 scheme being successfully implemented and embedded, the impending introduction of Pension Boards, auto-enrolment on the way and the latest valuation being effected as well as the retirement of the long-standing Head of Pensions, the change of Independent Adviser and not least, the various economic crises around the world!

There has been a steady growth in the number of members in the Scheme. Active membership has increased from 18,334 in 2014 to 19,407 in 2015, deferred membership has increased from 20,887 in 2014 to 23,377 and pensioners numbers have increased from 14,155 in 2014 to 14,421 in 2015, giving a total membership at 31 March, 2015 of 57,205.This equates to a total Fund increase of 7%. There has also been a steady increase in the number of employers in the Fund. At 31st March, 2015, the Northamptonshire Pension Fund had 217 active employers; an increase of 37 in the reporting period.

At 31st March, 2015, the Fund was valued at £1.86bn, which is an increase in Fund value of £190m from March 2014, equating to an 11.2% increase in asset value.

The Northamptonshire Pension Fund delivered a return of 12.4% for the fiscal year, slightly under-performing the Fund's benchmark return (12.9%) and the average Local Authority Pension Fund (13.2%).

Over the year, the funding level for the Fund has decreased from 77% to 70.4%. This is overwhelmingly due to the value of the liabilities increasing faster than the increase in the value of the assets; something largely outside the Fund's control as liabilities are tied to gilt yields. The Fund obtains regular quarterly updates on the funding level with a formal valuation of the Fund being carried out triennially, the last being 31st March, 2013.

Driven by the funding level, the Fund's investment strategy necessarily remains focused on growth assets which are expected to earn more attractive returns than lower risk investments, over the longer term with recovery planned over a 20 year period. Committee members and officers regularly meet with Fund Managers and Advisers to ensure we are fully apprised of their investment plans and fund details.

Since 2010, Northamptonshire and Cambridgeshire County Councils have operated under a joint partnership, LGSS, to provide pensions administration. This has and continues to deliver savings to both Funds through efficient converged processes, sharing of resources, joint working and economies of scale, which we would be delighted to extend to any other fund looking to join us.

Despite the challenges, I consider that it has been a successful year for the Fund due to the hard work invested by the members of the Pensions and Investment Sub Committees, the guidance of the Director of Finance and the support, dedication and expertise of all the staff, under the leadership of the Deputy Head of Pensions, involved in the administration, governance and investment management of the Fund. We also have excellent investment and actuarial advisers, who have added their considerable knowledge and skills. I would like to thank them for their efforts and for what they have done to ensure that we provide excellent retirement benefits for our and our employers' staff. Members of the public are always welcome to attend Pensions Committee meetings to see them in action!

I am confident that this dedication will continue into 2015-16 and well beyond, when we will be faced with evolving challenges regarding the governance arrangements and uncertain world economy as we seek to maintain the current high standards of the administration of the Fund.

Councillor Graham Lawman
Chairman of Northamptonshire Pensions Committee

Scheme Framework

The Local Government Pension Scheme is a statutory funded pension scheme. It is "contracted-out" of the state scheme and is termed a defined benefit scheme. The operation of the Northamptonshire Local Government Pension Scheme 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 County Council, the Police Authority, Police and Crime Commissioner, District and Borough Councils 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 on data at 31 March 2013. The results of the valuation resulted in a funding level of 70.5% and an average employer contribution rate of 32.1%. The next valuation is due in 2016.

On 1 April 2014, the new Local Government Pension Scheme 2014 came into effect, allowing more flexibility around paying into the Scheme and when to draw benefits, 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 claimed before that date it will usually be reduced and if claimed later it will 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's pay when the individual leaves the LGPS.

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.

The new scheme changes have been widely publicised with all stakeholders of the Fund via a range of communication methods including, e-mails, bulletins, seminars, presentations, forums and workshops. The Fund has assisted Scheme members and employers through the transition and provided information and guidance where required.

The below table compares the 2008 and 2014 Schemes -

	LGPS 2008	LGPS 2014
Basis of Pension	Final Salary	Career Average Revaluated Earnings (CARE)
Accrual Rate	1/60th	1/49th
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	1/160th accrual based on Tier 1 ill health pension enhancement	1/160th accrual based on Tier 1 ill health pension enhancement
Ill Health Provision	Tier 1 – Immediate payment with service enhanced to Normal Pension Age (65) Tier 2 – Immediate payment with 25% service enhancement to Normal Pension Age (65) Tier 3 – Temporary payment of pension for up to 3 years	Tier 1 – Immediate payment with service enhanced to Normal Pension Age Tier 2 – Immediate payment with 25% service enhancement to Normal Pension Age 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

Active Employers (217)

Scheduled Bodies

Abbeyfield School
Abington Vale Primary School
Badby Primary Academy
Barby Academy
Beanfield Primary School
Billingbrook Academy
Bishop Stopford CE Academy
Blackthorn Primary School
Boddington C of E Primary
Borough Council of Wellingborough
Boughton Primary Academy
Braunston Academy
Briar Hill Primary Academy
Brooke Weston Academy
Campion Academy
Caroline Chisholm Academy
Cedar Road Academy
Chacombe CEVA Primary Academy
Chenderit Academy
Chipping Warden Academy
Complementary Education Academy
Corby Borough Council
Corby Business Academy
Corby Primary Academy
Corby Technical School
Culworth C of E Primary School
Danetre & Southbrook Learning Village Academy
Daventry Abbey Junior Academy
Daventry District Council
Daventry UTC
Diocese of Peterborough HQ
East Northants Council
Eastfield Academy
Ecton Brook Primary Academy
Education Fellowship HQ
Elizabeth Woodville Academy
Exeter A Learning Community
Falconers Hill Academy
Freemans Endowed C of E Junior School
Friars Academy
Great Addington CEVA Academy
Green Oaks Academy
Greenfields Primary Academy
Greenfields School and Sports College
Gretton Primary Academy
Guilsborough Academy
Hardingstone Academy
Hartwell CoE Academy
Havelock Infants
Havelock Junior
Headlands Primary Academy
Huxlow Science Academy
Kettering Borough Council
Kettering Buccleuch Academy
Kettering Kingsley Academy
Kettering Science Academy
Kilsby Academy
Kings Heath Primary Academy
Kings Sutton Primary Academy
Kingsthorpe College Academy
Kingswood Primary Academy
Kingswood Secondary Academy
Latimer Arts College
Lings Primary Academy
Loatlands Primary Academy
Loddington Academy
Lodge Park Academy
Lumbertubs Primary Academy
Magdalen College Academy
Malcolm Arnold Academy
Malcolm Arnold Prep Academy
Manor Academy
Maplefields School Academy
Middleton Cheney Academy
Milton Parochial Primary Academy
Montsaye Academy
Moulton Academy
Moulton College
Naseby Academy

Newnham Primary Academy
Nicholas Hawksmoor Academy
Northampton Academy
Northampton Borough Council
Northampton College
Northampton Partnership Homes
Northampton School for Boys
Northampton School for Girls
Northamptonshire Chief Constable
Northamptonshire Coroners
Northamptonshire County Council
Northamptonshire Police and Crime Commissioner
Northamptonshire Probation Trust
Northgate Academy
Oakley Vale
Oakway Academy
Olympic Primary School
Preston Hedges Primary Academy
Queen Eleanor Primary Academy
Ringstead CofE Primary
Risedene Academy
Rockingham Primary Academy
Rothwell Junior School
Rothwell Victoria Infants School
Rushden Community Academy
Rushton Primary Academy
Ruskin Junior Academy
Silverstone UTC
Simon de Senlis Primary Academy
Sir Christopher Hatton Academy
South Northants Council
Southfield Academy
Southfield Primary Academy
Sponne Academy
Spring Lane Primary Academy
St Andrews Primary Academy
St Barnabas Academy
St James CofE Academy
St Loy C of E Primary Academy
St Mary's C of E Kettering
St Mary's Primary, Burton Latimer
St Peter's C of E Academy
Staverton Academy
Stimpson Avenue Primary Academy
Sunnyside Primary Academy
The Arbours Primary Academy
The Castle Primary Academy
The Duston School Academy
The Ferrers School Academy
The Parker E-Act Academy
Thorplands Primary Academy
Tresham Institute
University of Northampton
Victoria Primary Academy
Warwick Primary Academy
Waynflete Infants Academy
Weavers Academy
Weedon Bec Academy
Welton CofE Primary Academy
Weston Favell Academy
Weston Favell Primary Academy
Wilbarston Primary Academy
Windmill Primary School Academy
Woodford Halse Academy
Woodland View Academy
Woodnewton A Learning Community
Woodvale Primary Academy
Wootton Primary Academy
Wrenn School Academy

Designated Bodies
Barby Parish Council
Billing Parish Council
Brackley Town Council
Brixworth Parish Council
Creaton Parish Council
Deanshanger Parish Council
Duston Parish Council
Grange Park Parish Council
Higham Ferrers Town Council
Irthlingborough Town Council
Moulton Parish Council
Olympus Care Services
Oundle Town Council
Raunds Town Council
Rushden Town Council
Spratton Parish Council
Stanwick Parish Council
Towcester Town Council
Wollaston Parish Council
Wootton & East Hunsbury Parish Council

Admitted Bodies
Action for Children (Central)
Action for Children (Daventry)
Action for Children (Kettering)
Action for Children (Northampton East)
Action for Children (South Northamptonshire)
Action for Children (Wellingborough)
Age Concern
Amey plc
Balfour Beatty – Street Lighting
Caterlink Limited
Caterlink – Denfield Primary
Community Spaces
CRI
Daventry & District Housing
DC Leisure
East Northants Cultural Trust
Easy Clean Contractors
EMLC
emPSN
Enterprise Managed Services
Horizons NPF (Previously Connexions)
Kier WSP (previously May Gurney and WSP contracts)
Kingswood Catering (Brixworth)
Kingswood Catering (Isebrook)
Kingswood Catering (Kingsley)
Kingswood Catering (St Lukes)
Kingswood Catering (Wrenn)
May Gurney (Nordis)
North Northants Development Corporation
Northampton High School
Northamptonshire Carers
Northamptonshire Enterprise Ltd
Northamptonshire Music and Performing Arts Trust
Northamptonshire Theatres Trust
Northants Healthcare NHS Foundation Trust
NHS Arden Commissioning Support
NSL Ltd
Parklands Community Association
Rockingham Forest Trust
Shaw Healthcare
South Northants Homes
Spire Homes Limited
Spurgeons (East Northamptonshire)
Spurgeons (North Northamptonshire)
Spurgeons (West Northamptonshire)
The Castle (Wellingborough) Limited
Unity Leisure
University of Northampton Enterprises Ltd
Wellingborough Homes Ltd
Wellingborough Norse

Scheme Management and Advisors

Registered Pension Scheme Number: 00329946RE

Administering Authority

Northamptonshire County Council
P.O. Box 136
County Hall
Northampton
NN1 1AT

Administrator

Mr M Bowmer
Director of Finance
S151 Officer Northamptonshire County Council, LGSS

Pension Board and Investment Sub Committee:

County Council Members

Cllr Graham Lawman (Chairman)
Cllr Jim Hakewill (Vice Chairman)
Cllr Michael Brown
Cllr Matthew Golby – Resigned June 2014
Cllr Malcolm Longley – from June 2014
Cllr Dennis Meredith
Cllr Russell Roberts
Cllr Bob Scott

All other Local Authorities, Police and Fire (Borough and District Representatives)

Cllr Malcolm Ward (Wellingborough Borough Council)
Cllr Martin Wilson (South Northants Council)

Other Employers' Representatives

Alicia Bruce
Roger Morris

Member Representatives

Peter Borley-Cox
Josie Mason

Key Officers supporting the Fund

Deputy Head of Pensions LGSS	Mark Whitby
Investment and Fund Accounting Manager	Paul Tysoe
Operations and Technical Manager	Akhtar Pepper

Governance and Regulations Manager	Joanne Walton
Fund Financial Managers	Richard Perry (Investment) Temitope Oyelami (Fund)
Investment Advisers	John Harrison (until 31 January 2015) Mark Stevens (from 1 February 2015) Mercer Investment Consulting Belvedere, 12 Booth Street Manchester M2 4AW
Investment Managers	UBS Global Asset Management (UK) Ltd 4th Floor 21 Lombard Street London EC3V 9AH Majedie Asset Management Ltd 10 Old Bailey London EC4M 7NG Newton Investment Management Ltd Mellon Financial Centre 160 Queen Victoria Street London EC4V 4LA CBRE Global Investment Partners Third Floor, One New Change London EC4M 9AF Wellington Management International Ltd Cardinal Place, 80 Victoria Street London SW1E 5JL Baillie Gifford & Co. Calton Square, 1 Greenside Row Edinburgh EH1 3AN Skagen Funds High Holborn House 52-54 High Holborn London WC1V 6RL Catapult 11 Burrough Court Burrough on the Hill Melton Mowbray Leicestershire LE14 2QS

Custodian	Northern Trust 50 Bank Street Canary Wharf London E14 5NT
AVC Provider	Prudential Assurance Co Ltd Laurence Pountney Hill London EC4R 0HH Standard Life 1 Baileyfield Crescent Edinburgh EH15 1ET
Fund Actuary	Hymans Robertson LLP 20 Waterloo Street Glasgow G2 6DB
Auditor	KPMG LLP 1 Snow Hill, Queensway Birmingham B4 6GH
Legal Advisor	LGSS Legal Services Shire Hall Castle Hill Cambridge CB3 0AP
Performance reporting	The World Markets Company 525 Ferry Road Edinburgh EH5 2AW
Banker	Barclays Bank Plc 1 Churchill Place Canary Wharf London E14 5HP

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Risk Management

Northamptonshire County Council, the Administering Authority to the Northamptonshire Pension Fund, has a process in place to identify, evaluate, mitigate and monitor risks associated with the activities that the Fund carries out. The arrangements in place which provide for the management of risk are described below. A full review of the Fund's risks, how they are managed and reported will be undertaken during 2015-16.

Managing decision making

Northamptonshire County Council has established a Pensions Committee and Investment Sub-Committee having strategic and operational investment decision making powers, respectively.

Membership of both bodies consist of elected, non-elected and scheme member representatives. All members of the Investment Sub-Committee sit on the Pensions Committee.

The Pensions Committee's business covers all Fund matters with the exception of non-strategic investment issues, which are delegated to the Investment Sub-Committee. Officers across both the administration, investment, accounting and governance functions support the Pensions Committee and Investment Sub-Committee meetings as required.

All meetings of the Pensions Committee and Investment Sub-Committee are duly minuted.

Pensions Committee members and Investment Sub-Committee members are required to attain a desired level of training and knowledge, to ensure decisions being made on behalf of Northamptonshire Pension Fund are made with full understanding of the impact and therefore mitigating the risk of unfounded decisions.

The Committee must at all times be conscious of its accountability to shareholders. It 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.

With effect from 1 April 2015, there will be an additional layer of governance for the Fund in the form of a local pension board. The local pension board will be non-decision making but will have 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 local pension board will provide an annual report of its activities to Council at the end of each year.

Managing investment and funding risks

The Northamptonshire Pension Fund has billions of pounds of assets under management as well as even larger long-term liabilities. It is essential to ensure that the Fund’s assets are managed appropriately to ensure the Fund can meet the payment of its current and future liabilities.

The Fund currently has eleven investment mandates with eight fund managers.

An Investment Management Agreement is in place for each fund manager, setting out the relevant benchmark, performance target, asset allocation ranges and any statutory restrictions or other restrictions determined by the Pensions Committee and/or Investment Sub-Committee as appropriate.

Fund managers are also instructed to comply with the investment restrictions as set out in the LGPS (Management and Investment of Funds) Regulations 2009.

The constant monitoring of performance relative to a performance target constrains fund managers from deviating significantly from the intended approach, whilst permitting flexibility to manage mandates in such a way as to enhance returns. The appointment of more than one fund manager introduces a level of diversification of manager risk. Fund managers are instructed to diversify between investment types and within each mandate so that the prospects of potential losses are reduced.

Fund managers will bias their portfolios towards stocks which are expected to out-perform in rising or falling markets, but not take such contrarian positions that major under-performance occurs if they are incorrect in their strategies. They are required to operate in such a way that the possibility of underperformance against the target is kept within an acceptable limit. The Investment Sub-Committee monitors fund manager performance at least once every three months through informed meetings with Officers of the Fund as well as formal Committee scrutiny.

The Fund’s investment performance is reviewed quarterly by the Investment Sub-Committee and should remedial action be required the Sub-Committee will determine the action to be taken and, where necessary, recommend this action to the Pensions Committee for approval.

An alternative review of performance is undertaken annually upon receipt of data from WM, which provides the perspective of other LGPS funds performance. The Fund’s Custodian will be reviewed annually by an independent monitoring service. The aim of this is to receive feedback on the quality and efficiency of services of the existing provider. The review also allows for provisions of transparency and openness with regard to the investment operations of the Fund.

The Fund uses third party providers for investment management and custodian services. The risk of misstatement or error in the processes operated by the third parties is mitigated by reviewing the ISAE3402 service auditors' assurance reports provided by the investment managers and the Custodian.

The overall risk for any pension scheme is that its assets will be insufficient to meet its liabilities.

In terms of specific investment risk, the Northamptonshire Pension Fund is managed in a way that is designed to control and mitigate against this. Further Asset Liability Studies will be undertaken to help the Pensions Committee and Investment Sub-Committee determine, from time to time, appropriate asset allocation ranges. The aim of these is to ensure that the Fund's assets are prudently spread across different asset types and markets. As the Fund's liabilities are based in sterling, the majority of the Fund's assets are likely to be sterling denominated. The asset allocation will be formally reviewed following the triennial valuation, and at other times as required.

Over the long-term, the Fund's investments should provide a hedge against inflation and grow in line with the underlying economy. To minimise the risks a broadly based portfolio of stocks is held, spread across different countries and different industrial sectors.

The Fund is subject to actuarial review every three years. The Fund's actuary calculates the contributions required from employing authorities to ensure the solvency of the Fund. The Fund's position is based on the market values of the assets at the time of the review and various other assumptions such as longevity.

At present the Fund has a positive cash flow and is forecast to remain in this position for a number of years. However the Fund is acutely aware of significant potential pressures arising from members opting out of the Scheme, financial pressures on employers, and the general economic climate. The Fund is actively monitoring the situation to ensure it can act quickly should the need arise. It does, however, sell investments from time to time as part of normal investment management activities.

Managing Scheme employer related risks

There are 217 scheme employers in the Northamptonshire Pension Fund all of which have different risks associated with their financial positions. Therefore it is important that close monitoring processes are in place to ensure the Fund and its stakeholders are protected from these risks.

The Fund is aware that it is possible for an increase in the employer contribution rate to become unaffordable for both existing scheme employers and to potential admissions of new employers to the Scheme. In these instances the Fund would seek feedback and evidence from employers on their scope to absorb short-term contribution rises. It is also possible to mitigate the impact through deficit spreading and phasing in of contribution increases where this is possible and where this does not negatively impact the Fund. Another possible option is the "smoothing" of contribution increases over a number of valuation periods. Whichever option is considered, it is essential to ensure that decisions are well informed through actuarial advice and account for current and future asset and liability expectations.

It is essential for the Fund to actively manage those employers that cease to exist particularly those with insufficient funding or bonds in place to meet the liabilities that they leave behind. In some cases the liabilities will pass back to the ceding employer or where this is not an option, the liabilities will be spread across the remaining employers within the Fund. The Fund has in place a comprehensive Admissions Policy which clearly sets out where a guarantee or bond is required in order for a new employer to secure admission to the Fund.

Scheme employers can also present the Fund with risks in the form of the provision of poor quality data. Inaccurate data can lead to the miscalculation of pension benefits which can lead to the misstatement of the benefits the member is actually due. If this occurs on a consistent basis for medium to large employers or even just once for a small employer, it could have a detrimental affect on the size of the employer's liabilities which may result in a higher and potentially unaffordable employer contribution rate at the next valuation. The Fund has and will continue to actively engage with the scheme employers to ensure that they provide accurate data and provide them with the training and tools to do so. The Fund also monitors employer performance in the form of key performance indicators which are regularly fed back to the employers.

Managing demographic risks

The increasing life expectancy of Scheme members over the years has increased the value of the Fund's liabilities which has resulted in a decrease in the funding position. In order to ensure that the funding position doesn't continue to deteriorate it has proved necessary for the employer contribution rates to be increased at each triennial valuation. The Fund also participates in an extra level of analysis of changing life expectancy trends which feed into the Fund's valuation process to ensure that employer contribution rates are calculated based on the most accurate data available.

Financial Performance

The following tables provide details regarding the management of the Fund's income and expenditure.

Three year forecast of income and expenditure

	2014-15 Estimated Outturn £000	2014-15 Final Outturn £000	2015-16 Forecast £000	2016-17 Forecast £000	2017-18 Forecast £000
Contributions.	(90,300)	(91,846)	(94,700)	(99,700)	(104,400)
Transfers in from other pension funds:	(5,500)	(3,634)	(6,000)	(6,000)	(6,000)
TOTAL INCOME	**(95,800)**	**(95,480)**	**(100,700)**	**(105,700)**	**(110,400)**
Benefits payable.	81,400	76,785	84,200	87,200	91,200
Payments to and on account of leavers.	41,700	38,684	6,000	6,000	6,000
	123,100	115,469	90,200	93,200	97,200
	27,300	**19,989**	**(10,500)**	**(12,500)**	**(13,200)**
Management Expenses	**7,345**	**7,596**	**7,744**	**7,730**	**8,326**
Investment Income	(30,000)	(30,502)	(32,000)	(35,000)	(38,000)
Taxes on income	0	56	0	0	0
Profit and losses on disposal of investments and changes in the market value of investment	(106,000)	(178,163)	(115,000)	(124,000)	(134,000)
Net return on investments	**(136,000)**	**(208,609)**	**(147,000)**	**(159,000)**	**(172,000)**
Net (increase)/decrease in the net assets available for benefits during the year	**(101,355)**	**(181,024)**	**(149,756)**	**(163,770)**	**(176,874)**

Performance against budget – net operational expenses

The following table shows the Fund's forecast for total management expenses for 2014-15 compared with the outturn.

	2014-15 Forecast £'000	2014-15 Outturn £'000	Variance £'000
Administration Expenses	1,944	1,934	(10)
Investment Management Expenses	5,008	5,331	323
Oversight and Governance	393	331	(62)
Total Management Expenses	**7,345**	**7,596**	**251**

Timeliness of contributions

The following table shows the amount of regular employee and employer contributions paid during 2014-15 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.

	Total Paid in 2014-15	Total Paid On Time	% Paid On Time	Total Paid Late	% Paid Late
Employer Contributions	£71,263,787	£67,201,751	94.30	£4,062,035	5.70
Employee Contributions	£18,746,789	£17,586,363	93.81	£1,160,426	6.19
Total	£90,010,277	£84,788,115	94.19	£5,222,462	5.81

No interest was charged on any of the late payments.

Movement in assets & liabilities

The table below shows the forecast against the outturn on the Fund's cash flows and asset values in respect of 2014-15.

	2014-15 Estimated Outturn £'000	**2014-15 Final Outturn £'000**
Cash flows		
Fund (surplus) / deficit cash from dealings with members	27,300	19,989
Management expenses*	7,345	7,596
Returns on investments**	(136,000)	(208,609)
Net increase in the net assets available for benefits during the year	**(101,355)**	**(181,024)**
Assets held* **		
Index-linked securities	49,424	54,147
Equities – directly held	699,429	704,743
Pooled investments	888,713	916,894
Pooled property investments	122,321	150,173
Private equity/infrastructure	1,648	1,432
Cash deposits	34,052	19,409
Other	370	2,942
Net investment assets	**1,795,957**	**1,849,740**

* Higher performance related manager fees have been paid in 2014-15 arising from recent strong asset performance.

** Investments performed more strongly than forecast in 2014-15.

*** All asset classes have performed more strongly than expected in 2014-15, particularly in the final quarter of the financial year.

Recovery of overpayments of pension

The following tables show the analysis of pension overpayments that occurred during 2014-15.

Type of Overpayment	Action Taken	Number of Cases	Amount
			£
Retirement	Recovered	0	0
	Requested	0	0
	Written off	68	10,473
Total		**68**	**10,473**
Death	Recovered	27	17,705
	Requested	26	21,654
	Written off	194	14,663
Total		**247**	**54,023**
National Fraud Initiative	Recovered	0	0
	Requested	7	18,113
	Written off	64	4,747
	Under investigation	38	Unknown
Total		**71**	**22,861**
Total Overpayments		**386**	**87,357**

Annual Pensioner Payroll (excluding additional pension awarded by the employer)	£63,507,562
Total write off amount	£29,884
Write offs as a % of payroll	0.047%
Number of cases written off	326
Number of cases in the process of recovery	33
Number of cases recovered	27
Number of cases currently being investigated	38

Northamptonshire Pension Fund has an automatic write off process of any amount less than £250; the average write off amount per individual is £91.67.

Administrative Management Performance

Key administration performance indicators

The table below shows the number and trend of the top 10 types of scheme administration cases.

Case Type	Target (working days)	Number Received	Number within target	Target	% within target
Confirm transfer-in payment and service credited to scheme member	10	197	181	90%	92%
Provide employer with requested estimate of benefits	10	835	794	90%	94%
Provide a maximum of one estimate to employees per request per year	10	1,535	1,325	90%	87%
Provide a maximum of one cash equivalent transfer to employees per year on request	10	550	504	90%	92%
Notify employees retiring from active membership of benefit award	5	1,119	1,035	95%	92%
Acknowledge death of active/deferred/pensioner member	5	862	851	100%	99%
Change of address	2	2,083	1,889	100%	91%
Expression of Wish form received	2	1,867	1,845	100%	99%
Opt out form received	2	1,444	1,393	100%	96%
Personal change update	2	451	445	100%	98%

The Fund has developed a number of 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 Pensions Committee receives quarterly performance updates within the Business Plan update.

Performance is a partnership between the administration team and the constituent employers of the Fund and the targets shown are well in excess of statutory guidance therefore representing stretch targets. Where there is material shortfall on the stretch targets we are working with scheme employers to improve timeliness and quality of data received to improve delivery.

An employer satisfaction survey was undertaken in March inviting responses from all of the employers in the Scheme. The response was overall very positive with some key results below:

Question	**Result**
On average, how efficient were we when responding to your query?	91.56% of responses were of satisfactory level and above
On average, how would you rate the quality of the responses that you received?	91.83% of responses were of satisfactory level and above
Overall how engaging were the bulletins we sent?	98.44% of responses were of satisfactory level and above

In November 2014, a survey was sent to all customers of LGSS to assess the level of satisfaction with the services provided. LGSS Pensions achieved an 86% rating of satisfactory and above.

During 2014-15, 18,424 cases were completed, from which only 3 complaints were received, this equates to 0.02%.

Financial indicators of administrative efficiency

The table below shows the unit costs per member of administering the Fund.

	Northamptonshire Pension Fund	Benchmark
Unit costs per member excluding investment management expenses	£22.13 *(2013-14)**	£20.75 *CIPFA Benchmarking average (49 LGPS Funds)*
Unit costs per member including investment manager expenses	£7,596,000.00 / 57,205 = £132.78 per scheme member	N/A
	** Results from the 2014-15 CIPFA Benchmarking exercise will be published on the LGSS Pensions website once released by CIPFA.*	

Key staffing indicators

In 2014-15, the average staff to member ratio was one full time member of staff to 2,668 members and the number of cases per full time member of staff was 808.

5 Year analysis of Fund membership as at year ending 31 March

	2011	**2012**	**2013**	**2014**	**2015**
Active Members	18,147	16,770	17,277	18,334	19,407
Deferred Beneficiaries	15,956	17,027	20,129	20,887	23,377
Pensions in Payment	12,260	12,993	13,692	14,155	14,421
Total	**46,363**	**46,790**	**51,098**	**53,376**	**57,205**

Age profile of Fund membership at 31 March 2015

Age Band Years	Actives	Deferred	Pensioners
<20	137	48	120
20 - 24	809	633	32
25 - 29	1,165	1,642	2
30 - 34	1,577	2,166	1
35 - 39	2,086	2,350	12
40 - 44	3,073	3,496	34
45 - 49	3,597	4,521	78
50 - 54	3,087	4,211	112
55 - 59	2,309	3,052	547
60 - 64	1,265	1,104	2,763
65 -69	256	116	4,015
70 - 74	40	29	2,611
75 - 79	5	8	1,729
80 - 84		1	1,232
85 - 89			705
90 - 94			326
95 - 99	1		74
100 - 104			26
105-109			2

Employee and employer contributions 2014-15

The following table shows the contributions paid by the active employers in the Fund during 2014-15.

Employers	Employee	Employer	Total
	£'000	£'000	£'000
Abbey Junior Academy (Daventry)	8	30	38
Abbeyfield School (Academy)	46	174	220
Abington Vale Academy	11	44	55
Action for Children (Daventry)	2	8	10
Action for Children (Kettering)	10	32	41
Action for Children (Northampton Central)	8	27	35
Action for Children (Northampton East)	13	49	62
Action for Children (South Northamptonshire)	1	3	4
Action for Children (Wellingborough)	5	17	22
Age Concern (Northampton And County)	4	30	34
Amey Plc	20	86	106
Badby Primary Academy	8	20	28
Balfour Beatty Workplace Ltd	7	45	52
Barby Parish Council	1	2	3
Barby Primary Academy	3	12	15
Barry Road Primary	17	65	82
Beanfield Primary	25	97	122
Billing Brook Academy	47	186	233
Billing Parish Council	2	5	7
Bishop Stopford School	62	233	294
Blackthorn Primary Academy	14	57	71
Boddington C of E Primary Academy	3	12	15
Boothville Primary School	24	96	120
Borough Council of Welling. Councillors	0	1	1
Borough Council of Wellingborough	215	1,630	1,844
Boughton Primary Academy	7	24	31
Bracken Leas Primary School	14	55	69
Brackley Town Council	7	38	45
Brambleside Community School	15	59	74
Braunston Primary Academy	6	24	30
Briar Hill Primary Academy	10	42	2
Brixworth Parish Council	1	3	3
Brixworth Primary	19	74	92
Brooke Weston Academy	84	209	293
Broughton Primary	10	41	52
Bugbrooke Primary	12	47	59
Campion School	51	193	244
Caroline Chisholm School	75	248	323
Catalyst Corby	0	1	1
Caterlink - Denfield Park Primary	1	3	3
Cedar Road Primary Academy	11	47	58

Employers	Employee	Employer	Total
	£'000	£'000	£'000
Chacombe CEVA Primary Academy	4	15	19
Chenderit Academy	41	150	190
Chipping Warden School Academy	4	15	19
Churchill Services	1	5	6
Clipston Primary	5	21	26
Community Spaces	1	4	5
Complementary Education (Academy)	40	148	188
Corby Borough Council	514	2,623	3,137
Corby Business Academy	70	233	303
Corby Danesholme Junior School	12	46	58
Corby Old Village Primary School	8	33	42
Corby Primary Academy	2	9	11
Corby Studfall Junior	22	87	110
Corby Technical College	8	30	38
Cottingham C of E Primary School	5	22	27
Creaton Parish Council	0	1	2
CRI (NCC)	7	14	21
Croughton All Saints	4	16	20
Croyland Children's Centre & Nursery	17	65	82
Culworth C of E Primary Academy	5	16	21
Danetre & Southbrook Learning Village	71	277	348
Daventry & District Housing	70	257	327
Daventry District Council	309	1,617	1,926
Daventry UTC	14	51	66
Deanshanger Parish Council	1	3	4
Denfield Park Primary	22	87	108
Diamond Learning Community	9	33	41
Duston Academy	62	241	304
Duston Eldean Primary	12	49	61
Duston Town Council	7	25	32
East Hunsbury Primary	16	65	81
East Midlands Leadership Centre	19	39	58
East Northamptonshire District Council	294	1,379	1,673
East Northants Cultural Trust	10	47	58
Eastfield Academy	10	31	41
Easy Clean Contractors Ltd	1	6	7
Ecton Brook Primary School Academy	27	109	136
Education Fellowship HQ	23	61	84
Elizabeth Woodville Academy	62	232	294
EMBC	19	44	63
Enterprise Managed Services	101	830	930
Exeter - A Learning Community Academy	37	133	170
Fairfields Special School	41	164	205
Falconers Hill Academy	12	47	59
Finedon Infant School	6	26	32
Finedon Mulso CEVA Junior School	6	23	29

Employers	Employee	Employer	Total
	£'000	£'000	£'000
Freemans Endowed C of E Junior Academy	16	33	49
Friars Academy	36	98	134
Gateway School	19	81	100
Grange Community Academy	11	45	56
Grange Park Parish Council	2	5	7
Great Addington CEVA Academy	2	9	11
Great Addington Primary	4	14	18
Great Creaton Primary School	3	12	15
Green Oaks Primary Academy	21	83	105
Greenfields Primary Academy (MAT)	15	61	76
Greenfields School & Arts College	30	119	149
Greenfields School & Sports College	7	30	37
Gretton Primary	5	20	25
Guilsborough School (Academy)	47	171	217
Hall Meadow Primary	10	42	52
Hardingstone Primary Academy	5	21	26
Hartwell Academy	8	24	32
Havelock Infant Academy	12	48	60
Havelock Junior Academy	13	54	68
Headlands Academy	29	110	139
Henry Chichele Primary	6	24	30
Higham Ferrers Junior School	4	16	20
Higham Ferrers Nursery & Infant School	12	48	60
Higham Ferrers Town Council	2	8	10
Hopping Hill Primary	19	76	95
Hunsbury Park Primary	11	45	56
Huxlow Science College	37	147	185
Irchester Primary	12	49	62
Irthlingborough Junior School	13	50	63
Irthlingborough Town Council	4	14	18
Isebrook College Academy	3	11	13
Isebrook School	27	105	132
Kettering Borough Council	656	2,893	3,548
Kettering Buccleuch Academy	54	143	197
Kettering Millbrook Infant School	16	64	81
Kettering Millbrook Junior School	22	87	109
Kettering Science Academy	68	166	234
Kilsby Primary Academy	4	15	18
Kings Heath Academy	19	63	82
Kings Sutton Primary Academy	9	35	44
Kingsley Academy	45	164	209
Kingsley Primary	13	50	63
Kingsthorpe College Academy	57	212	269
Kingswood Primary Academy	14	54	68
Kingswood Secondary Academy	58	223	281
Latimer Arts	40	152	192

Employers	Employee	Employer	Total
	£'000	£'000	£'000
Lings Academy	12	39	51
Loatlands Primary Academy	12	51	63
Loddington CEVA Academy	4	10	14
Lodge Park Academy	49	189	238
Lumbertubs Primary Academy	11	42	53
Magdalen College (Academy)	62	235	297
Magistrates	7	(7)	0
Malcolm Arnold Academy	57	198	254
Malcolm Arnold Prep School	2	6	9
Manor School Sports College	45	167	212
Maplefields Academy	29	115	144
Mawsley Primary School	15	59	74
May Gurney	54	173	227
May Gurney (NORDIS)	14	53	68
May Gurney Fleet & Passenger Services Limited	58	121	179
Middleton Cheney Community Primary Academy	12	49	61
Milton Parochial Primary School	1	2	3
Montsaye Academy	65	242	307
Moulton Academy	58	230	289
Moulton College	271	763	1,034
Moulton Parish Council	3	12	15
Moulton Primary School	20	79	99
Naseby Academy	3	9	12
National Car Parks (NCP)	10	35	44
NBC Housing	74	489	563
Newnham Primary Academy	4	16	19
NHS Arden Commissioning Report	0	10	10
Nicholas Hawksmoor Academy	19	74	93
Northampton Academy	81	206	287
Northampton Borough Council	775	6,515	7,290
Northampton College	275	948	1,223
Northampton Connexions Partnership	106	681	787
Northampton County Council - Councillors	60	0	60
Northampton Enterprise Ltd	20	46	67
Northampton High School	37	128	165
Northampton School for Boys (NonLEA)	69	259	327
Northampton School for Girls (Academy)	67	258	325
Northampton Theatres Trust	23	138	161
Northamptonshire Carers	7	25	32
Northamptonshire County Council	5,983	20,436	26,418
Northamptonshire Healthcare NHS Foundation	54	180	234
Northamptonshire Music and Performing Arts Trust	8	33	42
Northampton Police & Crime Commissioner	(7)	7	0
Northants Chief Constable	1,491	3,947	5,438
Northgate Academy	59	182	241
Northampton BC Councillors	0	0	0

Employers	Employee	Employer	Total
	£’000	£’000	£’000
Oakley Vale Primary Academy	20	60	80
Oakway Academy	10	49	60
Olympic Primary Academy	12	49	62
Olympus Care Services	815	1,749	2,563
Oundle and Kings Cliffe Middle School	18	72	90
Oundle Primary School	10	33	43
Oundle Town Council	8	18	26
Park Infant School (Raunds)	6	22	28
Park Junior School (Kettering)	19	64	83
Parklands Community Association (NCC)	0	2	3
Parklands Primary	11	44	55
Paulerspury Primary School	4	15	19
Peterborough Diocese Education Trust (HQ Staff)	3	10	13
Places for People (DC Leisure)	13	38	51
Polebrook CE Primary	1	5	6
Police & Crime Commissioner (NCC)	80	179	259
Police Support	4	0	4
Preston Hedge's Primary Academy	17	68	85
Prince William School	48	178	226
Probation	57	227	284
Raunds Town Council	3	13	17
Redwell Infants School	16	63	78
Ringstead CE Primary School	4	15	19
Risedene Academy	18	70	87
Rockingham Forest Trust	6	21	27
Rockingham Primary Academy	17	72	89
Rothwell Junior Academy	10	39	49
Rothwell Victoria Infant Academy	16	66	82
Rowan Gate School	31	121	152
Rushden Community Academy	39	148	187
Rushden Town Council	8	29	37
Rushton Primary Academy	5	18	22
Ruskin Junior Academy	15	59	74
Service 6	0	1	1
Shaw Healthcare	26	102	128
Silverstone TUC Academy	23	68	91
Simon de Senlis Primary	15	61	76
Sir Christopher Hatton Academy	52	197	250
South End Infant Rushden	13	54	67
South End Junior Rushden	10	41	51
South Northants Council	393	1,634	2,026
South Northants Homes	141	377	518
Southfield Academy	38	137	175
Southfield Primary Academy (B)	13	52	65
Spire Homes Limited	9	129	138
Sponne School (Academy)	55	209	264

Employers	Employee	Employer	Total
	£'000	£'000	£'000
Spratton Parish Council	1	3	4
Spring Lane Primary Academy	19	75	94
Spurgeons (East Northamptonshire)	12	38	51
Spurgeons (Northampton North)	5	17	22
Spurgeons (Northampton West)	9	31	40
St Andrews CEVA Primary (Kettering)	10	32	41
St Barnabas Church of England School	3	22	25
St James C of E Primary School	4	17	21
St Loys C or E Primary Academy	3	13	16
St Mary's C of E Primary Academy, Burton Latimer	6	26	32
St Mary's CEVA Primary Academy, Kettering	13	52	64
St Mary's Catholic Primary School	8	32	40
St Patrick's Primary School	12	49	61
St Peter's Church of England Academy	5	22	27
Standens Barn Primary	12	49	61
Stanwick Parish Council	1	3	4
Staverton C of E Primary Academy	2	9	11
Stimpson Avenue Academy	19	66	85
Sunnyside Primary (Academy)	9	31	40
The Arbours Primary (Academy)	15	60	75
The Avenue Infants	11	42	53
The Castle (Wellingborough) Limited	3	30	33
The Castle Primary Academy	17	49	66
The Ferrers School Academy	44	168	212
The Grange, Daventry	17	68	85
The King John School, Thrapston	14	55	69
The Queen Eleanor Primary Academy	11	43	54
Thomas Beckett Catholic School	31	118	149
Thorplands Primary Academy	23	91	115
Thrapston Primary	15	58	73
Thrapston Town Council	0	1	2
Towcester CE Primary School	(22)	46	24
Towcester Town Council	3	10	13
Tresham Institute	301	831	1,132
Trinity Lower School	4	16	21
Unity Leisure	92	273	365
University of Northampton	930	2,820	3,750
University of Northampton Enterprises Ltd	57	211	269
Vernon Terrace Primary	16	62	78
Victoria Primary Academy	13	55	68
Warwick Primary Academy	15	61	77
Wayneflete Infants	8	29	37
Weavers Academy	50	191	241
Weedon Bec Academy	9	36	45
Weldon Primary School	8	29	37
Welford, Sibbertoft and Sulby Endowed School	3	11	14

Employers	Employee	Employer	Total
	£'000	£'000	£'000
Well Lady's Catholic Junior School	9	35	44
Wellingborough Croyland Primary	28	112	139
Wellingborough Homes Ltd	38	109	147
Wellingborough Norse	93	203	295
Welton Primary Academy	4	17	21
West Northants Development Corporation *1	7	(1,076)	(1,070)
Weston Favell Academy	47	181	229
Weston Favell Primary Academy	18	73	91
Wilbarston C or E Primary Academy	5	22	27
William Parker Academy	31	116	147
Windmill Primary Academy	6	24	30
Wollaston Community Primary School	9	35	44
Wollaston Parish Council	1	3	3
Wollaston Upper School	43	162	205
Woodford Halse Academy	11	45	56
Woodland View Academy	15	62	77
Woodnewton Learning Academy	58	202	261
Woodvale Primary (Academy)	19	66	85
Wootton Parish Council	7	31	39
Wootton Primary Academy	18	72	89
Wren Spinney Community School	21	84	105
Wrenn School Academy	73	268	341
WSP	106	347	454
Other employer payments such as unfunded recharges and pension strain.	0	1,836	1,836
Total	**18,746**	**73,100**	**91,846**

*1 Cessation payment

Investment Policy and Performance Report

The investment management of the Fund is governed by the provisions of the Local Government Pension Scheme – (Management and Investment of Funds) Regulations 2009. These seek to ensure that the Fund:

- is suitably invested and has taken appropriate advice;
- has suitably diversified investments;
- has an appropriate number of investment managers who invest fund monies on its behalf;
- relevant investment limits are not exceeded;
- Investments and investment arrangements are regularly monitored and reviewed;
- has an appropriate Statement of Investment Principles;
- understands its powers to borrow; and
- operates a separate bank account.

Investment Asset Allocation

Asset allocation is determined by the Pensions Committee upon recommendation from the Investment Sub-Committee who are informed by officers and professional investment advisors on the categories of investment in which the Fund should invest.

The Fund reviews its asset allocation on an annual basis and conducts a more comprehensive review following the triennial valuation.

A full review conducted in 2013-14 following the 2013 triennial valuation recommended no immediate change to the asset allocation. The triennial valuation indicated that the Fund expects to remain cash flow positive for many years to come.

The asset allocation review focussed on assessing whether making changes to the asset allocation could either drive improvements in the funding level or provide more downside protection.

The current investment strategy seeks long-term return generation rather than short-term risk mitigation and seeks to achieve this by having a core allocation to equities within a strategically diversified overall portfolio. The target allocation to equities at 64% is broadly similar to the average Local Authority pension fund. A further 16% is invested in growth assets offering strategic diversification, split equally between property and a Diversified Growth Fund. This leaves 20% invested in bonds, with half in UK bonds and half in mandates that are less exposed to rising interest rates, such as Total Return and Multi-Strategy Credit.

As the performance and therefore relative value of each investment asset class will vary over time, the Pensions Committee have approved tolerance levels around the target asset allocation percentages by which actual values can vary from the target allocation for each investment asset class.

During the 2014-15 financial year the Fund reviewed the efficiency of its global equities allocation and investigated the options for improving inflation protection in the Fund, as and when this might be appropriate. This latter work will continue in 2015-16. The target asset allocation was unchanged at the end of the 2014-15 financial year.

Role of Investment Managers

Following the approval of the strategic asset allocation by the Pensions Committee, the Investment Sub-Committee appoints external investment fund managers for each asset class. Managers are responsible for all "day to day" investment decisions, providing them with flexibility to manage the Fund in such a way as to enhance returns and achieve the performance objectives for the funds under their management whilst acting within the constraints of an Investment Management Agreement (IMA) that is approved upon their appointment.

With the exception of a passive Global Equities mandate, all external investment managers have been given "active" briefs to outperform agreed specific benchmarks. The IMA for each investment manager will include:-

- the specific class or classes in which they are permitted to invest, in line with the Fund's asset allocation, allowing little or no flexibility between asset classes;
- the value of the mandate under their management to invest. The Fund's allocation to a specific asset class may be divided between more than one manager to minimise disruption should the need arise to replace the manager;
- the relevant performance target above benchmark to reflect the intensity of their specific specialist investment brief; and
- any geographic constraints.

There were no new manager appointments or terminations effective during the year. However, in February 2015 the Investment Sub-Committee approved the transfer of the Wellington UK Fixed Income mandate to a passive index-linked bond fund managed by UBS. The transfer was completed in June 2015.

Investment Manager Profiles and performance targets for 2014-15

The target asset and manager allocation, associated benchmarks and performance targets at 31 March 2014 and 31 March 2015 and which applied throughout the 2014-15 financial year is shown below.

Asset Class	Weighting (%)		Market Benchmark Adopted	Target above bench-mark (%)
UK Equity		**23.00**		
Majedie	11.50		FTSE All-Share index	+2
UBS	11.50		FTSE All-Share index	+2
Global Equity		**41.00**		
Newton	15.30		MSCI World AC	+2
Skagen	5.00		Benchmark agnostic (but MSCI World AC can be used as a guide for performance monitoring purposes)	n/a (assume 3% as a guide)
UBS	20.70		FTSE All World (inc EM)* Passive	n/a
Bonds		**20.00**		
Wellington UK Fixed Income	6.67		Merrill Lynch Sterling Broad Market	+1
	3.33		Merrill Lynch Index-linked Gilts Index	
Wellington Global Total Return	5.00		Bank of America Merrill Lynch T-Bill Index +5%	n/a
Wellington Global Strategic Credit	5.00		No specific benchmark (but Barclays Global Aggregate Credit 1-5yr GBP Hedged Index can be used for performance monitoring purposes)	n/a
Diversified Growth		**8.00**		n/a
Baillie Gifford	8.00		UK base rate +3.5%	n/a
Property		**8.00**		
CBRE	8.00		IPD UK All Balanced Property Fund Index	+1
Total		**100.00**		+1.6**

* In practice may include separate regional equity and bonds for rebalancing purposes.

** Overall Fund Target – the overall performance target is calculated taking into account the weightings for each manager.

The values of actual manager allocations, the percentage of the Fund and variance from the target asset allocation at 31 March 2014 and 31 March 2015 are shown below:

31 March 2014			Asset Class	Manager	31 March 2015		
Market Value (£m)	**(%)**	**Above/ (below) target (%)**			**Market Value (£m)**	**(%)**	**Above/ (below) target (%)**
205.3	12.4	0.9	UK Equity	UBS	212.7	11.5	0.0
236.2	14.2	2.7		Majedie	231.7	12.5	1.0
83.2	5.0	0.0	Global Equity	Skagen	88.8	4.8	(0.2)
257.6	15.5	0.2		Newton	301.3	16.3	1.0
327.7	19.8	(0.9)	Passive Global Equity	UBS	390.7	21.1	0.4
137.5	8.3	(1.7)	Fixed Income	Wellington (Core Plus)	159.8	8.6	(1.4)
76.7	4.6	(0.4)		Wellington (Global Total Return)	79.4	4.3	(0.7)
89.1	5.4	0.4		Wellington (Global Strategic Credit)	92.0	5.0	0.0
113.4	6.8	(1.2)	Property	CBRE	147.9	8.0	0.0
131.5	7.9	(0.1)	Diversified Growth	Baillie Gifford	142.1	7.7	(0.3)
1.5	0.1	0.1	Private equity	Catapult	1.4	0.1	0.1
0.1	0.0	0.0	Cash	Cash	1.9	0.1	0.1
1,659.8	**100.0**		**Total**		**1,849.7**	**100.0**	

Performance monitoring

Investment manager performance is reviewed quarterly by the Investment Sub-Committee of the County Council. The Committee review a comprehensive quarterly performance report that includes the performance of each manager measured against benchmark and target and the actual asset allocation compared to the Fund's target allocation. Managers are subject to challenge in these meetings from the Committee members and the Committee's independent investment adviser.

Investment Performance 2014-2015

Investment performance data comparing the Northamptonshire Pension Fund with other local authority funds and indices are shown in the table below:

% Returns per annum for the financial year ended 31 March 2015						
		The Fund	The Benchmark	Retail Price Index	UK Average Weekly Earnings Index	Local Authority Average
2014-2015	**1 year**	12.4	12.9	0.9	3.3	13.2
2012-2015	**3 years**	11.4	10.4	2.2	1.7	11.0
2010-2015	**5 years**	8.8	8.5	3.1	1.6	8.7
2005-2015	**10 years**	7.3	8.1	3.0	3.1	7.9

(Source: WM Universe).

Investment Manager Performance for periods ending 2014-15

		1 Year (%)			3 Years (% pa)		
Asset Class	**Manager**	**Return**	**Bench-mark**	**Variance**	**Return**	**Bench-mark**	**Variance**
UK Equity	Majedie	7.5	6.6	0.9	16.4	10.6	5.8
	UBS[1]	3.6	6.6	(3.0)	11.9	9.4	2.5
Global Equity	Newton	21.1	19.0	2.1	16.6	14.1	2.5
	Skagen[2]	6.7	19.0	(12.3)	n/a	n/a	n/a
	UBS Passive	19.1	19.2	(0.1)	13.9	14.2	(0.3)
Fixed Income	Wellington	16.4	15.7	0.7	7.4	7.1	0.3
	Wellington (Global Total Return)	3.6	5.3	(1.7)	2.5	5.3	(2.8)
	Wellington (Global Strategic Credit)	3.3	3.0	0.3	4.9	3.3	1.6
Diversified Growth Fund	Baillie Gifford[2]	8.1	4.0	4.1	n/a	n/a	n/a
Property	CBRE	17.4	16.6	0.8	8.1	9.4	(1.3)

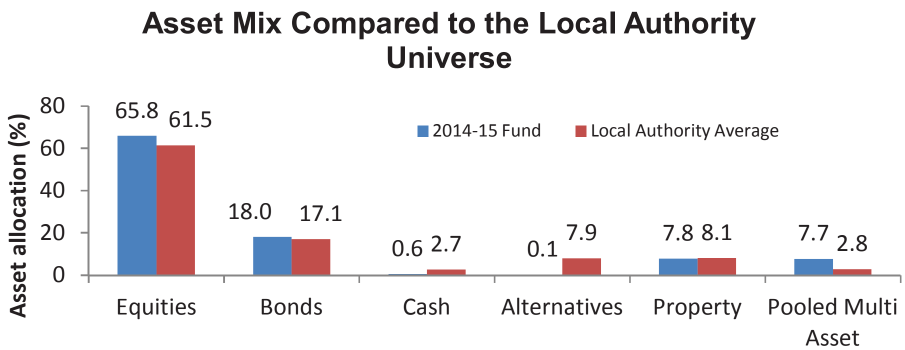
[1] The performance of the UBS UK equity mandate over 10 years was 7.4% compared to a benchmark return of 7.2%. No other mandate has been in place for a full 10 years.

[2] Skagen and Baillie Gifford were appointed during 2012-13, therefore 3 year returns are not yet measurable.

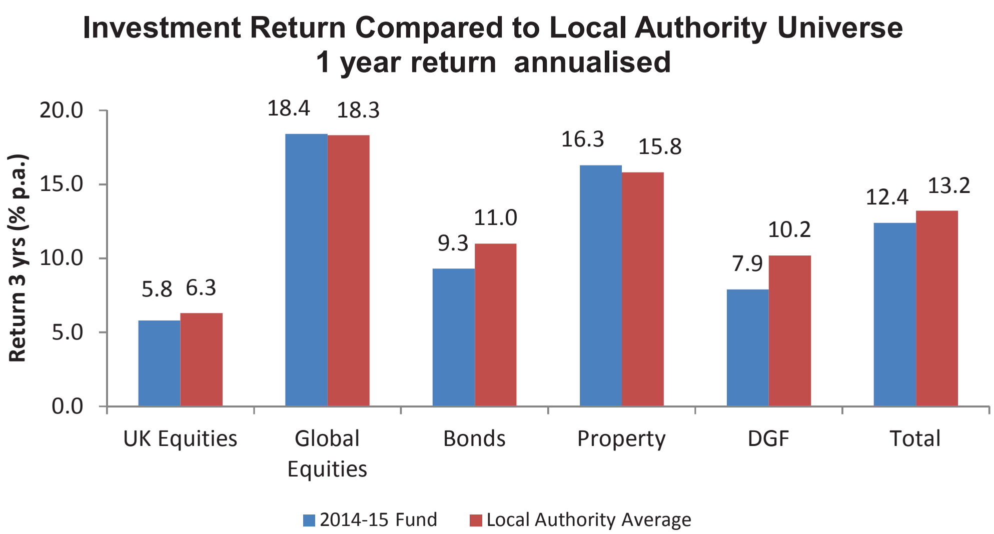
Performance in comparison with Local Authority Universe

The Local Authority Universe is a national scheme consisting of over 90 Pension Funds. This scheme compares many aspects of Fund performance, the key areas of which are shown on the following pages.

The Fund participates in the WM Company's benchmarking of Local Authority investment performance, which provides useful information on how well the Fund has performed in comparison with other Local Authorities.

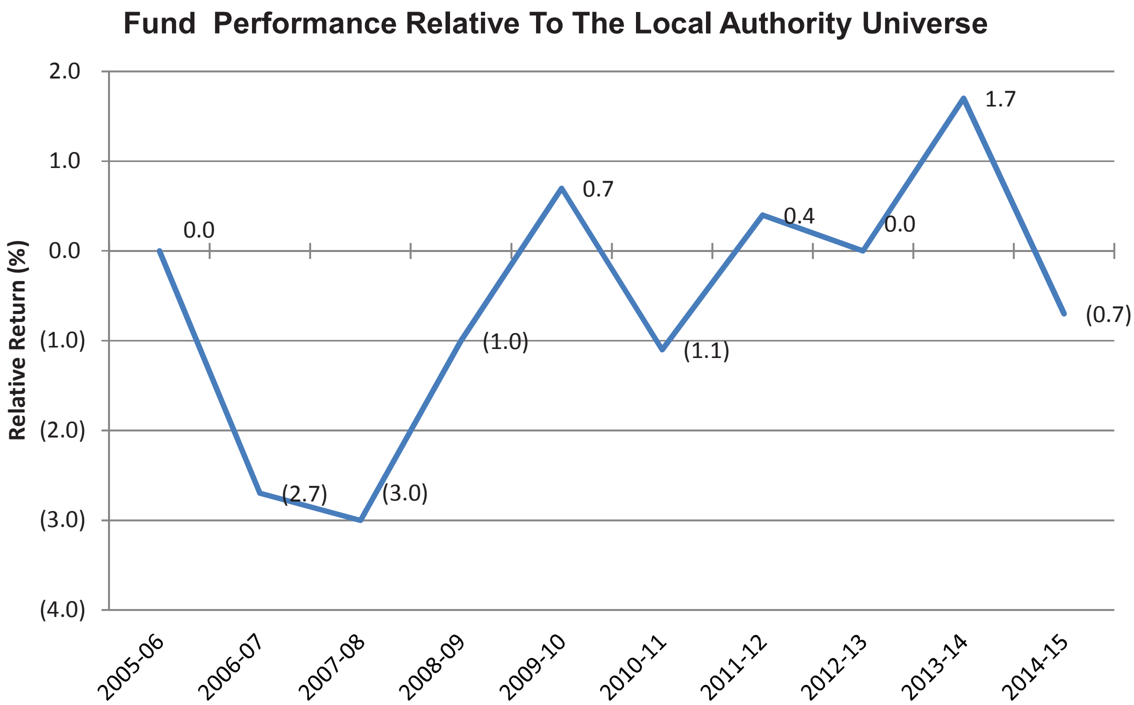


The graph shows that the Fund's asset mix is broadly comparable with the Local Authority Average, the main variances indicating the Fund's preference for equity and bonds, but disfavour of alternatives.



Year Annual Return (%)	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Total Fund	24.9	4.1	(5.7)	(20.7)	36.1	7.2	3.0	13.8	8.2	12.4
WM Benchmark	24.9	7.0	(2.8)	(19.9)	35.2	8.2	2.6	13.8	6.4	13.2

The table above compares the Fund's performance with the Local Authority Average for the ten years since 2005. The relative performance is shown graphically on the next page.



The graph demonstrates the volatility of annual return comparisons of Fund performance against the Local Authority Universe.

Of the ten years shown, the Fund has outperformed the Local Authority Average on three occasions, underperformed on five occasions and matched the average twice.

Responsible Investment Policy

The Fund defines "responsible investment" as the "integration of environmental, social and corporate governance (ESG) considerations into investment management processes and ownership practices".

The Fund recognises that effective management of ESG issues can enhance long-term financial performance of investments, and therefore ESG factors should be a feature of investment analysis and management. This aligns with the best interests of the Fund's beneficiaries and is consistent with fiduciary duty.

The Fund only invests with reputable investment managers who will have their own policies and procedures for considering ESG issues in day to day investment decisions as far as they are consistent with their primary obligation to meet performance targets. As well as responsibility to manage day-to-day investments decisions to managers, the Fund has delegated voting rights on company resolutions to its investment managers. Managers regularly report on their ESG activities, voting record and direct engagement on ESG issues with companies.

The Fund supports the UK Stewardship Code and expects the Fund's investment managers to comply with the UK Stewardship Code. The Fund has produced a Statement of Commitment to the UK Stewardship Code highlighting how the Fund is discharging its stewardship responsibilities which can be found in Appendix D of the Statement of Investment Principles which can be found in Appendix D to this report.

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF). This initiative enables the Fund to work with other investors to understand the impacts of ESG considerations on financial performance.

The Fund supports the Myners' Principles for good investment governance and has set out in Appendix E of the Statement of Investment Principles (See Appendix D attached to this report) the policies in place and actions taken to evidence compliance.

Custodian Services

Northern Trust has been the Fund's appointed Global Custodian since September 2000. The contract is reviewed regularly and Northern Trust were re-appointed as Custodian with effect from 1 October 2014 following their success in a mini competition involving five providers under the LGPS National Framework for Global Custody Services.

The responsibilities of the Global Custodian are:

- arranging for the custody of the Scheme's assets in compliance with the custody agreement;
- ensuring that all holdings have been registered as assets of the Fund.
- manage the settlement of all deals entered into by the fund managers, collect all dividends and coupons accruing to the Fund and to hold all cash;
- providing the administering authority with monthly valuations of the Scheme's assets and details of all transactions during the quarter; and
- providing details in a timely manner to the WM Company for performance reporting.

Independent Investment Advisor's Annual Investment Review 2014/15

Economic background

The recovery in developed market economies seen during the previous financial year continued into the current financial year. Data during the first quarter supported the view that the global economic recovery remained on track. The US economy continued to lead the way despite a weather affected set back early in the year. Global business surveys indicated that output was rising at the fastest rate for three years. In the UK the economy continued to strengthen with growth forecast to be the strongest of any developed country outside of the US. Unemployment rates in both the US and the UK continued to fall; however growth although positive is still below what would be expected given this rise in employment. This has led to disappointing productivity rates in both economies and has added to the difficulties in determining the level of slack that still exists in the economy. The US is widely expected to lead the upturn in the interest rate cycle and the debate now centres on the timing and in particular the pace of rate hikes. Likely timing for the first rate rise was widely expected to be around the middle of 2015. However this now seems premature as consumer spending data appears to be weakening despite a considerable boost from the very sharp falls in the oil price, that were a major feature of the final quarter of 2014. The pace of any rate rise will be data dependent. The key inputs for that pace of tightening will include evolution of consumer price inflation, wage inflation and the apparent tightness of the labour market.

The advent of 'Abenomics' in Japan has so far failed to deliver the growth in the real economy that had been hoped for. Although the weakening Yen and significant amounts of quantitative easing have driven Japanese equity market sharply higher,. corporate profits are growing. However a significant proportion of this comes from the translation affect of a weak Yen, rather than the much heralded corporate reforms. It remains to be seen if increased profitability from corporate Japan will lead to the hope for higher wages and consumer spending. What seems clearer is that at least in the short term the sharp falls in the oil price although providing a boost to real incomes has exacerbated the problem of deflation, which was one of the structural issues 'Abenomics' sought to fix.

In the final quarter of the financial year the ECB announced a full quantitative easing programme aiming to buy €60bn of assets per month until at least September 2016. The stated aim is to revive growth and inflation expectations. Initial reactions were for a fall in the €, further falls in bond yields and a boost for European equity markets. There does appear to be signs that the European economy may be turning a corner after years of sluggish growth. Economic figures released just prior to the end of the financial year beat expectations with retail sales, industrial production and purchasing managers surveys all heading upwards. Despite better economic news and significant central bank intervention Europe is not without issues. Inflation remains stubbornly low, this has lead to the unprecedented situation of as much as € two trillion in outstanding sovereign debt now trading on negative yields. There remains much debate about how negative bond yields will influence decisions in the real economy, but what remains clear is that if this situation were to persist there would be significant issues for the European pensions industry. The possibility of a Greek exit from the Eurozone came sharply into focus following the election of the left wing anti austerity party Syriza in January. Negotiations on debt repayment remain on going and at the time of writing with the most likely outcome, a last minute compromise with the proverbial "can" once again kicked down the road. It remains to be seen whether Greece provides a catalyst for further contagion concerns in the periphery of Europe as seen immediately post the financial crisis, or whether the progress made in many of these Europe economies since prevents this from reoccurring.

After a difficult period where the ending of the US quantitative easing programme triggered capital withdrawals, which in turn exposed economic imbalances and budget deficits and currency volatility, emerging markets experienced a better year. China continues to manage an economic rebalance away from investment to domestic consumption while simultaneously dealing with slowing growth and managing the gradual deflation of a property bubble. Fears of a Chinese hard landing have receded however and recent reforms to the rules allowing domestic investment into the Hong Kong market have generated sharp rises in the Hang Seng Index. Emerging markets are not without continuing issues however. Lower oil and commodity prices have been detrimental to revenues in counties like Russia and Brazil, with Russia in particular seeing a sharp depreciation in the value of the Rouble. Even with forecast growth rates continuing to fall, it remains the case that the IMF still expects 70% of all global growth to come from emerging markets in 2015.

The UK economy continued to surprise to the upside with only the US delivering stronger growth. Estimates show that the economy grew by around 3% over 2014. Job creation continued at a very healthy pace leading the Bank of England to abandon its 7% unemployment threshold for considering interest rate rises. Inflation remains below the 2% target and following the fall sharp fall in the oil price, inflation came close to zero, albeit this is expected to be a short lived phenomenon. With wage growth finally beginning to be seen, real incomes are rising for the first time since the crisis, which should underpin consumer spending and confidence. Towards the end of the financial year markets were becoming more concerned about the possibility of a hung parliament and the possibility of prolonged political uncertainty. Other issues remain for the economy however, including the extent to which the UK's largest trading partner, Europe, continues to recover and whether the recent strength of £ against the € will act as constraint on UK exporters benefiting from any European recovery.

Market Returns

Financial market returns for 2014/15 were stronger than the previous year although remaining diverse in nature. Once again developed markets provided better returns than emerging markets, although both enjoyed a strong year. UK equities provided a positive return of 6.6%, which was lowest return amongst the major equity markets. During the year sterling fell 11% against the US$, but strengthened 14% against the €. For the sterling based investor US equities delivered an extremely impressive 25.1% return. Despite the Japanese yen falling slightly against sterling, Japanese equities still returned 27.1% in sterling terms driven sharply higher by continued government and central bank polices designed to stimulate the Japanese economy. European equities also enjoyed a strong year and responded later in the period to the ECB announcements on quantitative easing. However the weakening of the €, which went hand in hand with the announcement, diluted returns for a £ based investor, with a local currency return of 19.6% reduced to 7.7%.

Bond markets also enjoyed a strong year as comforting noises from the US Federal Reserve and Bank of England appeared to push the inevitable interest rate rises in both countries further into the future. Inflation also remains extremely benign on a global basis. The sharp fall in the oil price particularly towards the end of 2014 added to the deflationary pressures. Global bonds rose 7.6% in sterling terms however UK bond markets were even stronger. Despite a volatile year the UK Index-linked market returned 18.5% with traditional government bonds up 13.9%.

The property market has continued its strong recovery from the financial crisis. Rental growth returned to the market as investor demand spread beyond central London offices. The IPD property index returned 17.8% over the year

Fund Performance

The Northamptonshire County Council Pension Fund marginally underperformed the benchmark during the financial year 2014/15. The fund's total return of 12.4% was behind the bespoke benchmark (12.9%). The main driver of this underperformance was a disappointing return from one of the active global managers.

Despite the slight relative underperformance over one year the longer term performance against the benchmark remains strong. Over three years the Fund has returned 11.4% per annum a full 1% per annum ahead of the benchmark with a major driver to returns being strong performance from active UK equities. Over five years the return is 8.8% per annum against a benchmark of 8.5% per annum.

Economic and Market Outlook

As the financial year ended a number of global equity markets had reached record highs. It remains the case that a major driver of markets returns has been the extended central bank policy accommodation. The ECB and Japanese central bank have taken up the quantitative easing baton from the Federal Reserve and both of these respective markets have started to perform. Record equity market highs have not to the same extent seen strong underlying earnings growth and as a consequence a number of markets are looking fully valued and trading on multiples above historic norms. As another indication of the extent to which financial markets are still being affected by central banks activity, bond markets continue to rise and are trading on historically low and in some cases negative yields.

Given the valuation picture in both equities and bonds, the outlook for asset returns looks fragile. However this has been a feature of the recent past and markets have continued to climb. As the fund moves into the final year of the three year actuarial cycle the committee will be paying particular attention to the likely affects of any US interest rate rise, as well as monitoring the success or otherwise of central bank intervention in Japan and Europe. Possible volatility emanating from the Greek bailout restructuring talks and issues surrounding Russia and Ukraine will also need to be monitored. With the prospects of a hung parliament or even another election to deal with in the near future now eliminated, some of the risks to stability in the UK economy have receded. However it remains to be seen whether the economic momentum established over the recent past can be maintained. The timing of any future interest rate rises will increasingly become the focus of attention for investors.

Strategic Asset Allocation

Given the nature of the liabilities that attach to the pension fund it continues to adopt a long-term investment approach. The last actuarial review that was carried out in 2013 indicated that the fund would be cash flow positive for many years to come. The main investment priority therefore remains focused on long-term return generation rather than short-term risk mitigation.

The current investment strategy, which is unchanged from last year, seeks to achieve this by having a core allocation to equities within a strategically diversified overall portfolio. The target allocation to equities at 64% is broadly similar to the average Local Authority pension fund. A further 16% is invested in growth assets offering strategic diversification, split equally between property and a Diversified Growth Fund. This leaves 20% invested in bonds, with half in UK bond and half in mandates that are less exposed to rising interest rates, such as Total Return and Multi-Strategy Credit.

Mark Stevens
May 2015

Scheme Administration Report

Northamptonshire County Council is responsible for administering the Northamptonshire Pension Fund. In 2010, Northamptonshire County Council and Cambridgeshire County Council formed a joint partnership, LGSS, to deliver pensions administration with the aim of delivering cost savings to both Funds through efficient converged processes, sharing of resources and economies of scale.

The now fully converged LGSS Pensions has seen a reduction of staff from 75.5 FTE to 60 FTE, delivering significant cost savings whilst retaining a high level of performance during this reporting period. This shows that the LGSS Pensions has become more efficient and working at higher capacity, moving closer towards being a Centre of Excellence for pensions administration, a founding principal of LGSS.

Implementing the new LGPS 2014
This financial year has seen LGSS Pensions successfully implement the new Local Government Pension Scheme 2014 changes. The pensions administration system was upgraded to reflect the changes and administrators received training on both the new scheme and the upgraded administration system.

Pension Fund Website
The LGSS Pensions website contains detailed information for all the Fund's stakeholders and has dedicated pages for both members and employers. The information is regularly updated to ensure the accuracy of the information being published. There is a comprehensive suite of forms and factsheets for members, prospective members and employers. Contact details are on the website so support can be sought in conjunction with the online information.

Employer Self Service
Employer Self Service (ESS) gives employers access to the pensions database remotely and securely allowing them to view, create and amend their employees' data, run reports and perform benefit calculations. Employers who have successfully used the system with no issues have been given direct access, allowing them to make live updates to pension records.

ESS continues to be promoted to employers to generate further efficiencies. ESS has been offered to all employers across the Northamptonshire Pension Fund with a concerted effort to increase use in place since January 2015.

Member Self Service
Member Self Service (MSS), allows members to securely access their own records held on the pensions database to enable viewing of their personal information and perform certain benefit calculations.

MSS, like ESS, is expected to generate further efficiencies. MSS has been rolled out to all active members across the Northamptonshire Pension Fund; there has been a take up rate of approximately 18%.

During 2014-15, the MSS facility has been extended to deferred members. This will be further promoted via information contained within deferred annual benefit statements issued in 2015-16.

i-Connect

i-Connect allows employers to securely upload payroll data to the pensions database on a monthly basis, ensuring accurate and timely record maintenance and providing a solution to the demands of automatic enrolment. LGSS Pensions has been working with its largest employers to implement i-Connect. Full implementation will achieve significant efficiencies for both the Fund and scheme employers.

Administration Strategy

The Administration Strategy underwent a review in 2014-15 to update it in line with the 2014 Regulations. It was re-launched in December 2014 following a consultation with scheme employers. The Strategy is viewed as one of the main tools to aid the delivery of a high quality administration service to all stakeholders.

Internal Disputes Resolution Procedure

Safeguards for Scheme members are contained within the LGPS Regulations, which contain comprehensive complaints and disputes procedures. Members are able to seek redress through the Internal Disputes Resolution Procedure which allows access to a two-stage procedure in an attempt to bring a solution to any dispute. If the member or former member is still unhappy with the decision reached at stage two there is the right for the complainant to then lodge their grievance with the Pensions Ombudsman. At any stage a Scheme member has the right to direct their complaint to The Pensions Advisory Service (TPAS).

There were no disputes raised or resolved via IDRP or Pensions Ombudsman with the Administering Authority during 2014/15.

Actuarial Report on Funds

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2013. This valuation revealed that the Fund's assets, which at 31 March 2013 were valued at £1,545m, were sufficient to meet 71% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2013 valuation was £646m.

Individual employers' contributions for the period 1 April 2014 to 31 March 2017 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 valuation report dated 31 March 2014. The valuation report can be found at: http://pensions.northamptonshire.gov.uk/index.php/governance2/key-documents-for-the-northamptonshire-fund/ .

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.

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 2013 valuation were as follows:

Financial assumptions	31 March 2013	
	% p.a. Nominal	% p.a. Real
Discount rate	4.60%	2.10%
Pay increases	4.30%	1.80%
Price inflation/pension increases	2.50%	-

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI_2010 model, assuming the current rate of improvements has reached a peak and will converge to 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	22.3 years	24.3 years
Future pensioners*	24.0 years	26.6 years

*Currently aged 45

Copies of the 2013 valuation report and Funding Strategy Statement are available on request from Northamptonshire County Council, the administering authority to the Fund.

Experience over the period since April 2013

Experience has been slightly better than expected since the last valuation (excluding the effect of any membership movements). Real bond yields have risen and asset returns have been slightly better than expected meaning that funding levels are likely to have improved since the 2013 valuation.

The next actuarial valuation will be carried out as at 31 March 2016. The Funding Strategy Statement will also be reviewed at that time.

Douglas Green FFA
Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP

Hymans Robertson LLP, 20 Waterloo Street, Glasgow, G2 6DB

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 2013. The results are presented in this report and are briefly summarised below.

Funding position

The table below summarises the financial position of the Fund at 31 March 2013 in respect of benefits earned by members up to this date.

Past Service Position	31 March 2010 (£m)	31 March 2013 (£m)
Past Service Liabilities	1,651	2,191
Market Value of Assets	1,220	1,545
Surplus/(Deficit)	(445)	(646)
Funding Level	73.0%	70.5%

The increase in deficit reflects the adverse conditions which the Fund has had to contend with since the previous valuation. In particular, the decrease in the real guilt yield has increased the value placed on the Fund's liabilities.

Contribution rates

The table below summarises the average employer contribution rate that would be required, based on this triennial valuation.

Contribution Rates	31 March 2010 (% of pay)	31 March 2013 (%of pay)
Employer future service rate (incl. Expenses)	16.2%	19.8%
Past Service Adjustment (20 year spread)	8.4%	12.3%
Total Employer contribution rate (incl. Expenses)	24.7%	32.1%
Employee contribution rate	6.5%	6.2%
Expenses	0.8%	0.9%

Again, the increase in the total employer contribution rate is primarily due to the decrease in the real guilt yields which has increased both the employer future service rate and the past service adjustment.

The common contribution rate is a theoretical figure – an average across the whole Fund. In practice each employer that participates in the Fund has its own underlying funding position and circumstances, giving rise to its own contribution rate requirement. The minimum contributions to be paid by each employer from 1 April 2014 to 31 March 2017 are shown in the Rates and Adjustment Certificate.

The Fund does not undertake formal interim valuations. However, it receives quarterly funding updates based upon the latest triennial valuation funding data. This is reported to the Investment Sub-Committee quarterly.

The key demographic assumptions are formally reviewed with the actuary at the start of each triennial valuation and any changes reflected in the valuation results. The assumptions used in the latest valuation are set out in Appendix E of the Funding Strategy Statement which can be found in Appendix C of this report.

Governance Policy and Compliance Statement

It is a requirement for the Administering Authority to publish a Governance Policy and Compliance Statement since the Local Government Pension Scheme (Administration) Regulations 2008 came into force and this remains the case following the enactment of the Local Government Pension Scheme Regulations 2013 (under regulation 55).

The Governance Policy and Compliance Statement incorporates a statement on how compliant the Administering Authority is against a set of best practice principles issued by Communities and Local Government in 2008. The compliance statement is intended to ensure transparency, accountability and stakeholder involvement.

The Governance Policy and Compliance Statement was last updated in January 2013 and can be found on the Northamptonshire Pension Fund website, http://pensions.northamptonshire.gov.uk and in appendix A of this report.

The Governance Policy and Compliance Statement is scheduled for a review in June 2015 following which the Statement will be updated and published on the website.

The activities of the Fund are controlled by the County Council's Pension Fund Committee.

The Pension Fund Committee consists of the following representatives:

Representing	**No.**
Northamptonshire County Council (County Councillors)	7
All other Local Authorities, Police and Fire	2
All other employers	2
Active Scheme members	1
Deferred and Pensioner Scheme members	1
Total	13

Operational investment matters are dealt with by the Investment Sub-Committee which consists of the following representatives:

Representing	**No.**
Northamptonshire County Council (County Councillors)	4
All other employers	2
Scheme members	1
Total	7

All members have equal voting rights.

The Pensions Committee meets 4 times a year and holds an Annual General Meeting each July. The Investment Sub-Committee meets 4 times a year.

The following table shows the attendance of committee members at both the Pensions Committee and Investment Sub-Committee meetings during 2014-15.

		Attendance at Pension Fund Committee Meetings	Attendance at Investment Sub-Committee Meetings
County Council Members	Cllr G Lawman	5/5	4/4
	Cllr J Hakewill	4/5	4/4
	Cllr M Brown	4/5	4/4
	Cllr D Meredith	2/5	N/A
	Cllr R Roberts	2/5	2/4
	Cllr B Scott	5/5	4/4
	Cllr M Longley	4/4	N/A
District/Borough /Police and Fire Representatives	Cllr M Ward	2/5	4/4
	Cllr M Wilson	2/5	N/A
All Other Employers' Representatives	Roger Morris	5/5	1/4
	Alicia Bruce	4/5	N/A
Member Representatives	Peter Borley-Cox	2/5	1/4
	Josie Mason	3/5	3/4

Pensions Administration Strategy Report

The Fund's Pensions Administration Strategy is produced in accordance with Regulation 59 of the Local Government Pension Scheme Regulations 2013. The Regulations provide that administering authorities may prepare, maintain and publish a written statement setting out their policy concerning administration matters, and the administering authority and its employing authorities must then have regard to that strategy when carrying out their functions.

The Regulations also require that the administering authority should consult with its employing authorities (and any other persons it considers appropriate) in preparing or reviewing its administration strategy.

In addition, regulation 70 of the Local Government Pension Scheme Regulations 2013 allows an administering authority to recover additional costs from a scheme employer where, in its opinion, they are directly related to the poor performance of that scheme employer. Where this situation arises the administering authority is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

The current Pensions Administration Strategy was approved by the Pension Fund Committee in October 2014, followed by a 30 day consultation period with the Scheme's employers. The strategy is published on the LGSS Pensions website and can be found in Appendix B of this report.

To reinforce the importance of the Pensions Administration Strategy, regular employer forums are held to communicate the performance against agreed standards. Examples of the key performance indicators that are measured are detailed below:

Service Standard	Target (working days)
The provision of named pension contacts for the scheme employer	30 working days
Scheme employers must have published Employer Discretions, accessible to all employees and a copy provided to LGSS Pensions	Within 30 working days of approval
Accurate year end information must be provided for all scheme members	By 30 April

During 2014-15 the scheme did not exercise its powers to recover additional costs from scheme employers.

Funding Strategy Statement

The Fund is required to ensure that sufficient funds are available not only to meet its current liabilities, but also to make advance provision of accruing future liabilities. Decisions taken regarding the approach to funding will therefore determine the rate or pace at which this advance provision is made, in addition to the need to ensure sufficient funds are available for its current liabilities.

Although the regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the administering authority, acting on the professional advice provided by the actuary.

The purpose of this Funding Strategy Statement is:

- To establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;

- To support the regulatory requirement to maintain as nearly constant employer contribution rates as possible; and

- To take a prudent longer-term view of funding those liabilities.

This strategy is both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the administering authority to implement and maintain.

The Funding Strategy Statement is reviewed in line with the valuation cycle to ensure that the strategy is appropriate and relevant.

In 2014-15, contribution increases were implemented in accordance with the Statement to the Rates and Adjustments Certificate attached to the 2013 valuation of the Fund.

New admitted bodies are admitted into the Scheme in accordance with the Funding Strategy Statement and the Admission Bodies, Scheme Employers and Bulk Transfer Policy.

During 2014-15 no new bond provisions were made and twelve new guarantee agreements were put in place as security for the Fund.

The Funding Strategy Statement was updated in March 2014 and can be found on the Northamptonshire Pension Fund website, http://pensions.northamptonshire.gov.uk and in Appendix C of this report.

Statement of Investment Principles

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, which came into force on 1 January 2010, require an administering authority, after consultation with such persons as it considers appropriate, to prepare, maintain and publish a written statement of the principles governing its decisions about the investment of scheme money.

The statement must also state the extent to which the administering authority complies with guidance given by the Secretary of State, and, to the extent the authority does not comply, the reasons for not complying.

The statement must be reviewed and if necessary, revised, by the administering authority from time to time and, in the case of any material change in the authority's policies or breach of compliance, within six months of such change. To meet these requirements the Pensions Committee usually review the SIP at the annual general meeting each July.

The purpose of this document is to satisfy the requirements of these regulations. In addition, Local Government Pension Scheme (England and Wales) (Amendment) Regulations 2004 came into effect 1 April 2004, requiring administering authorities to publish a Funding Strategy Statement (FSS). The FSS must have regard to the Statement of Investment Principles (SIP). This document contains reference to the FSS for information.

The statement is required to state the extent to which the administering authority is compliant with the guidance given by the Secretary of State and also the extent the authority does not comply and if so, the reasons for non compliance. Currently the SIP compliance rating is deemed "fully compliant".

The Statement of Investment Principles was reviewed and approved by the Pensions Committee in March 2015. The SIP that was in force in 2014-15 can be found on the Northamptonshire Pension Fund website, http://pensions.northamptonshire.gov.uk and in Appendix D of this report.

Communication Policy Statement

The Communications Policy is guided by the standards set out in regulation 61 of the Local Government Pension Scheme Regulations 2013.

These Regulations require administering authorities to:

- prepare, maintain and publish a written statement setting out their policy concerning communications with:
  - Scheme members
  - representatives of Scheme members
  - prospective Scheme members
  - employing authorities;
- set out their policy on:
  - the provision of information and publicity about the Scheme to members, representatives of members and employing authorities
  - the format, frequency and method of distributing such information or publicity
  - the promotion of the Scheme to prospective members and their employing authorities; and
- keep the statement under review and make such revisions as are appropriate following a material change in the policy on any of the matters mentioned below and if revisions are made, publish a revised statement.

The current Communications Policy was approved by the Pensions Committee in October 2014. The policy is published on the LGSS Pensions website and can be found in Appendix E of the Joint Administration Strategy &
Joint Communication Strategy which can be found as Appendix B to this report.

In line with the Communications Policy the Fund's website has dedicated sections that provide up to date and detailed information for members, prospective members and employers.

Communications with the Scheme's employers take place on a regular basis through the use of bulletins which cover subjects ranging from changes to reporting procedures and notification of new employee contribution rate bandings to be applied.

The Fund delivers training and workshops for scheme employers on topics such as employers' responsibilities in the Fund and dealing with ill health retirements.

During 2014-15 presentations were delivered at strategic points around the County to ensure all members were in a reasonable commuting distance to be able to receive information on the new LGPS 2014. These sessions were very well attended with positive feedback received.

Pre-retirement presentations are regularly delivered, normally at the request of the scheme employer and at the employer's establishment to allow ease of access for Scheme members.

Any Other Appropriate Material

A summary of the number of employers in the Fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some outstanding liabilities), as at 31 March 2015.

	Active	**Ceased**	**Total**
Scheduled body	147	15	**162**
Admitted body	50	22	**72**
Designated body	20	3	**23**
Total	**217**	**40**	**257**

An analysis of fund assets as at 31 March 2015.

	UK	Non-UK	Global	Total
	£m	**£m**	**£m**	**£m**
Equities	212.7	88.8	1,065.9	1,367.4
Bonds	-	-	331.2	331.2
Property - direct holdings	-	-	-	-
Alternatives	147.9	-	0.0	147.9
Cash and cash equivalents	1.9	-	-	1.9
Other	-	-	-	0.0
Total	**362.5**	**88.8**	**1,397.1**	**1,848.4**

An analysis of investment income accrued as at 31 March 2015

	UK	**Non-UK**	**Global**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Equities	7,520	-	13,484	**21,004**
Bonds	-	-	3,844	**3,844**
Property - direct holdings	-	-	-	**0**
Alternatives	5,460	-	-	**5,460**
Cash and cash equivalents	194	-	-	**194**
Other	-	-	-	**0**
Total	**13,174**	**0**	**17,328**	**30,502**

Independent auditor's report to the members of Northamptonshire County Council on the pension fund financial statements published with the pension fund annual report

We have examined the pension fund financial statements for the year ended 31 March 2015 on pages 59 to 90.

Respective responsibilities of the Section 151 Officer and the auditor

As explained more fully in the Statement of the Director of Finance (Section 151 Officer) Responsibilities, the Director of Finance is responsible for the preparation of the pension fund financial statements in accordance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements included in the Pension Fund Annual Report with the pension fund financial statements included in the annual published statement of accounts of Northamptonshire County Council, and their compliance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

In addition, we read the information given in the Pension Fund Annual Report to identify material inconsistencies with the pension fund financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our report on the administering authority's annual published statement of accounts describes the basis of our opinion on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent with the pension fund financial statements included in the annual published statement of accounts of Northamptonshire County Council for the year ended 31 March 2015 and comply with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Matters on which we are required to report by exception

The Code of Audit Practice for Local Government Bodies 2010 requires us to report to you if:

- the information given in the Pension Fund Annual Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters relating to the pension fund have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit.

We have nothing to report in respect of these matters

Andrew Cardoza

for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

29 September 2015

Fund Account, Net Assets Statement and Notes

Introduction to the accounts

The following comprises the Statement of Accounts for the Northamptonshire Local Government Pension Scheme (The Fund). The accounts cover the financial year from 1 April 2014 to 31 March 2015.

These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting (‘Code of Practice’) in the United Kingdom 2014-15 based on International Financial Reporting Standards (IFRS) as published by the Chartered Institute of Public Finance and Accountancy. The accounts have been prepared on an accruals basis. They do not take account of liabilities to pay pensions and other benefits in the future.

The accounts are set out in the following order:

Fund Account which discloses the size and nature of financial additions to and withdrawals from the Fund during the accounting period and reconciles the movements in the net assets to the Fund Account.

Net Assets Statement which discloses the size and disposition of the net assets of the Fund at the end of the accounting period.

Notes to the Accounts which gives supporting accounting policies, detail and analysis concerning the contents of the accounts, together with information on the establishment of the Fund, its membership and actuarial position.

Fund Account for the year ended 31 March 2015

2013-14 £000		Notes	2014-15 £000
	Dealings with members, employers and others directly involved in the Fund		
(96,163)	Contributions	**7**	(91,846)
(3,180)	Transfers in from other Pension Funds	**8**	(3,634)
(99,343)			(95,480)
79,218	Benefits	**9**	76,785
3,540	Payments to and on account of leavers	**10**	38,684
82,758			115,469
(16,585)			**19,989**
5,472	**Management expenses**	**11**	**7,596**
	Returns on investments		
(29,017)	Investment income	**12**	(30,502)
198	Taxes on income	**13**	56
(100,539)	Profit and losses on disposal of investments and changes in the market value of investments	**15a**	(178,163)
(129,358)	**Net return on investments**		**(208,609)**
(140,471)	**Net (increase)/decrease in the net assets available for benefits during the year**		**(181,024)**

Net Assets Statement as at 31 March 2015

2013-14 £000		Notes	2014-15 £000
1,633,127	Investment assets	**15**	1,832,628
31,471	Cash deposits	**15**	19,409
1,664,598			**1,852,037**
(4,751)	Investment liabilities	**15**	(2,297)
27,829	Current assets	**20**	16,551
(4,066)	Current liabilities	**21**	(1,657)
19,012	**Net Current Assets**		**12,597**
1,683,610	**Net assets of the Fund available to Fund benefits at the period end**		**1,864,634**
1,543,139	**Opening net assets as at 1 April**		1,683,610
140,471	Net increase/decrease in the net assets available for benefits during the year		181,024
1,683,610	**Closing net assets as at 31 March**		**1,864,634**

Notes to the Accounts

1 Description of the Fund

The Northamptonshire Pension Fund (“the Fund”) is part of the Local Government Pension Scheme and is administered by Northamptonshire County Council. The County Council is the reporting entity for this Pension Fund.

The following description of the Fund is a summary only. For more detail, reference should be made to the Northamptonshire Pension Fund Annual Report 2014-15 and the underlying statutory powers underpinning the scheme, namely the Public Services Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

a) 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 Amendment) Regulations 2014 (as amended);
- the LGPS (Management and Investment of Funds) Regulations 2009.

It is a contributory defined benefit pension scheme administered by Northamptonshire County Council to provide pensions and other benefits for pensionable employees of Northamptonshire County Council, the district councils in Northamptonshire County and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Northamptonshire Pensions Committee which is a committee of Northamptonshire County Council.

b) 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, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are 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.

As at 31 March 2015 there are 217 (2014: 181) employer organisations within Northamptonshire Pension Fund including the County Council itself, an increase of 36, as detailed over the page:

	31 March 2014	31 March 2015
Number of employers with active members	**181**	**217**
Number of employees in scheme		
County Council	8,077	8,123
Other Employers	10,257	11,284
Total	**18,334**	**19,407**
Number of Pensioners		
County Council	7,678	7,790
Other Employers	6,477	6,631
Total	**14,155**	**14,421**
Deferred Pensioners		
County Council	13,937	15,103
Other Employers	6,950	8,274
Total	**20,887**	**23,377**

c) 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 (as amended) 2007 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2015. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2013. Employers' contributions comprise a percentage rate on active payroll between 11% and 25.1% and deficit payments of fixed cash amounts set for each employer, as part of the triennial funding valuation.

d) Benefits

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	Service from 1 April 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 Salary. 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.

e) Career Average Revalued Earnings (CARE) scheme

From 1 April, the scheme became a career average scheme, whereby members accrue benefits based upon 1/49th of each year's pensionable pay which creates a pension pot which is revalued annually by CPI until retirement.

There are a range of other benefits provided under the Scheme including early retirement, disability pensions and death benefits.

For more details, please refer to the Northamptonshire Pension Fund scheme handbook available from LGSS Pension Services based at John Dryden House, Northampton, or online at pensions.northamptonshire.gov.uk.

Benefits are index-linked in order to keep pace with inflation. In June 2010, the Government announced that the method of indexation would change from the Retail Prices Index to the Consumer Prices Index. This change took effect from 1 April 2011.

2 Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2014-15 financial year and its position at year end as at 31 March 2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 19 of these accounts.

3 Summary of Significant Accounting Policies

Fund account – revenue recognition

a) 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 Fund actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on an accruals basis in the period they are due.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) 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 are calculated in accordance with the Local Government Pension Scheme Regulations (see notes 8 and 10).

Individual transfers in/out are accounted for on an accruals basis, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts 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.

c) Investment income

i) Interest income

Interest income is recognised in the Fund Account as it accrues, using the coupon rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs 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 Assets 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 assets statement as a current financial asset. This process may vary according to the type of pooled funds.

iv) Movement in the net market value of investments

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account – expense items

d) 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 assets statement as current liabilities.

e) 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.

f) Management expenses

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

Oversight and governance costs are accounted for on an accruals basis.

g) Investment management expenses

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and 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.

In addition the Fund has negotiated with the following managers that an element of their fee be performance related:

- Wellington Management International Limited
- Baillie Gifford & Co
- Skagen Funds
- CBRE Global Investment Partners Limited
- Majedie Asset Management Limited
- Newton Investment Management Limited

Performance related fees incurred in the year are shown in Note 14.

Where an investment manager's fee note has not been received by the balance sheet 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.

The cost of obtaining investment advice from external consultants is included in investment support costs.

A proportion of the Council's costs representing management time spent by officers on investment management are also charged to the Fund.

h) Financial assets

Financial assets are included in the Net Assets Statements on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of asset are recognised by the Fund.

The values of investments as shown in the Net Assets Statement have been determined as follows:

- Market quoted investments

  The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

- Fixed interest securities

  Fixed interest securities are recorded at net market value based on their current yields.

- Unquoted investments

The fair value of investments for which market quotations are not readily available is determined as follows:

- Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the Council expects to receive on wind up, less estimated realisation costs.
- Securities subject to takeover offer – the value of the consideration offered under the offer, less estimated realisation costs.
- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the Fund manager.
- Investments in private equity funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective Fund Managers in accordance with the guidelines set out by the British Venture Capital Association.

- Limited partnerships

Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

- Pooled investment vehicles

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the Fund, net of applicable withholding tax.

i) 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.

j) 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.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in change in market value.

The value of futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.

The future value of forward currency contracts is based on market forward exchange rates at the year end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract.

k) Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

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

l) Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

m) Contingent Liabilities

Provisions are measured at the best estimate (including risks and uncertainties) of the expenditure required to settle the present obligation, and reflects the present value of expenditures required to settle the obligation where the time value of money is material.

n) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 19).

o) Additional voluntary contributions

Northamptonshire Pension Fund provides an additional voluntary contributions (AVC) scheme option for scheme members, the assets of which are invested separately from those of the Pension Fund by the AVC provider. The Fund has appointed Prudential and Standard Life as its AVC providers. AVCs are 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(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 22).

4 Critical Judgements in applying Accounting Policies

Unquoted private equity investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers using guidelines set out by the British Venture Capital Association. The value of unquoted private equities at 31 March 2015 was £1.4m (£1.5m at 31 March 2014).

Pension Fund liability

The Pension Fund liability is calculated every three years by the Fund's appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 18. This estimate is subject to significant variances based on changes to the underlying assumptions.

5 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Net Assets Statement at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	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 effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £185 million. A 0.25% increase in assumed earnings inflation would increase the value of liabilities by approximately £25million, and a one year increase in assumed life expectancy would increase the liability by approximately £61million.
Private equity	Private equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £1.4 million. There is a risk that this investment may be under or overstated in the accounts.
Investment Assets	Different pricing methods can be used by the Custodian compared to the Fund Manager, which can result in different valuations of the assets.	The Custodian reconciles to the Fund Manager to 20 basis points.

6 Events After the Balance Sheet Date

There have been no events since 31 March 2015, and up to the date when these accounts were authorised that require any adjustments to these accounts.

7 Contributions Receivable

By category

2013-14 £000		2014-15 £000
76,012	Employers	73,100
20,151	Members	18,746
96,163	**Total**	**91,846**

By authority

2013-14 £000		2014-15 £000
31,557	Northamptonshire County Council	31,702
53,536	Scheduled Bodies *	52,259
11,070	Admitted Bodies	7,885
96,163	**Total**	**91,846**

* Schools included under Scheduled Bodies

8 Transfers In From Other Pension Funds

2013-14 £000		2014-15 £000
-	Group transfers	-
3,180	Individual transfers	3,634
3,180	**Total**	**3,634**

Transfers in from other Pension Funds are contingent on positive transfer elections from new employees with previous pension rights available to transfer. In the current financial climate there is an ongoing restriction on new employees within public sector employers and therefore transfer applications. Significantly, LGSS also introduced a new Transfer In business process in the 2012-13 year with certain self service aspects, passing specific responsibilities from the administering authority to the member. This was predicted to reduce the volume of transfer in elections.

9 Benefits Payable

By category

2013-14 £000		2014-15 £000
63,823	Pensions	62,538
13,478	Commutation and lump sum retirement benefits	11,746
1,917	Lump sum death benefits	2,501
79,218	**Total**	**76,785**

By authority

2013-14 £000		2014-15 £000
32,560	Northamptonshire County Council	34,746
42,681	Scheduled Bodies *	37,407
3,977	Admitted Bodies	4,632
79,218	**Total**	**76,785**

* Schools included under Scheduled Bodies

10 Payments To and On Account of Leavers

2013-14 £000		2014-15 £000
11	Refunds to members leaving service	80
-	Payments for members joining state scheme	42
-	Group transfers	30,450
3,529	Individual transfers	8,112
3,540	**Total**	**38,684**

Individual transfers are dependent on individuals having an approved pension arrangement to transfer their LGPS benefits to after leaving the Northamptonshire Fund and also the relative merits of that destination arrangement in comparison with the LGPS. The current financial climate reduces the opportunity for individuals to join secure pension schemes to which they may wish to transfer their accrued LGPS benefits.

Refunds to members leaving services are extremely sensitive to fluctuations as a result of the small relative value. A lack of new staff would contribute to a reduced figure as would the raising of general pensions awareness through the automatic enrolment campaign.

Group transfers in 2014-15 represent a payment in March 2015 in connection with the transfer of the administration of pensions for the Probation Service to the Greater Manchester Pension Fund.

11 Management Expenses

2013-14 £000		2014-15 £000
1,805	Administrative costs	1,934
3,301	Investment expenses (Note 14)	5,331
366	Oversight and governance costs	331
5,472	**Total**	**7,596**

12 Investment Income

2013-14 £000		2014-15 £000
478	Fixed interest securities	491
19,855	Equities	20,774
4,719	Pooled investments	3,535
3,495	Pooled property investments	5,408
154	Interest on cash deposits	117
316	Other (includes stock lending and commission recapture)	177
29,017	**Total**	**30,502**

In 2014-15 investment income has been reclassified to be consistent with the classification of investments in Note 15. Prior period values have been re-presented accordingly.

13 Taxes on Income

2013-14 £000		2014-15 £000
198	Withholding tax – equities	56
198	**Total**	**56**

14 Investment Expenses

2013-14 £000		2014-15 £000
3,058	Management fees	5,212
243	Investment support costs	119
3,301	**Total**	**5,331**

Management fees include performance related fees of £2.2m in 2014-15 (2013-14: £1.6m).

15 Investments

Market value 31 March 2014 £000		Market value 31 March 2015 £000
	Investment assets	
45,678	Index-linked securities	54,147
646,422	Equities	704,743
821,361	Pooled investments	916,894
113,051	Pooled property investments	150,173
1,523	Private equity/infrastructure	1,432
	Derivative contracts**:**	
20	• Futures	-
58	• Forward currency contracts	249
31,471	Cash deposits	19,409
2,787	Investment income due	3,515
1,397	Amounts receivable for sales	1,475
830	Amounts receivable for pending spot FX	-
1,664,598	**Total investment assets**	**1,852,037**
	Investment liabilities	
	Derivative contracts:	
(7)	• Forward currency contracts	(221)
(3,916)	Amounts payable for purchases	(2,074)
(828)	Amounts payable for pending spot FX	(2)
(4,751)	**Total investment liabilities**	**(2,297)**
1,659,847	**Net investment assets**	**1,849,740**

During 2014-15 investments in Fixed Interest Securities were reclassified to Pooled Investments. Values at 31 March 2014 have been re-presented accordingly.

15a: Reconciliation of movements in investments and derivatives

	Market value 1 April 2014 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Market value 31 March 2015 £000
Index-linked securities	45,678	2,978	(2,544)	8,035	54,147
Equities	646,422	215,304	(215,014)	58,031	704,743
Pooled investments	821,361	37,631	(35,552)	93,454	916,894
Pooled property investments	113,051	32,228	(12,839)	17,733	150,173
Private equity/ infrastructure	1,523	121	(63)	(149)	1,432
	1,628,035	**288,262**	**(266,012)**	**177,104**	**1,827,389**
Derivative contracts:					
• Futures	20	-	(129)	109	-
• Forward currency contracts	51	312	(1,514)	1,179	28
• Spot currency contracts	-	35	-	(37)	(2)
	1,628,106	**288,609**	**(267,655)**	**178,355**	**1,827,415**
Other investment balances:					
• Cash deposits	31,471			(190)	19,409
• Amounts receivable for sales of investments	1,397			5	1,475
• Investment income due	2,787			-	3,515
• Amounts payable for purchases of investments	(3,914)			(7)	(2,074)
Net investment assets	**1,659,847**			**178,163**	**1,849,740**

During 2014-15 investments in Fixed Interest Securities were reclassified to Pooled Investments. Values at 31 March 2014 have been re-presented accordingly.

Transaction costs are included in the cost of purchases and in sale proceeds. They include costs charged directly to the Fund, such as fees, commissions, stamp duty and other fees.

Transaction costs incurred during the year total £896k (£1,083k in 2013-14). In addition to these costs, indirect costs are incurred through the bid offer spread on investments within pooled investments.

	Market value 1 April 2013 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Market value 31 March 2014 £000
Index-linked securities	42,950	11,103	(6,194)	(2,181)	45,678
Equities	595,072	222,842	(240,748)	69,256	646,422
Pooled investments	768,606	75,714	(50,638)	27,679	821,361
Pooled property investments	78,475	56,617	(29,023)	6,982	113,051
Private equity/infrastructure	1,798	60	-	(335)	1,523
	1,486,901	366,336	(326,603)	101,401	1,628,035
Derivative contracts:					
• Futures	(44)	-	(36)	100	20
• Forward currency contracts	818	2,720	(3,586)	98	51
	1,487,675	**369,056**	**(330,225)**	**101,600**	**1,628,106**
Other investment balances:					
• Cash deposits	31,035			(62)	31,471
• Amounts receivable for sales of investments	879			(3)	1,397
• Investment income due	2,855			(43)	2,787
• Amounts payable for purchases of investments	(1,074)			0	(3,914)
Net investment assets	**1,521,370**			**101,492**	**1,659,847**
Payments to managers:	54			(953)	(9,501)
	1,521,424			**100,539**	**1,650,346**

During 2014-15 investments in Fixed Interest Securities were reclassified to Pooled Investments. Movements during 2013-14 have been re-presented accordingly.

15b: Analysis of investments (excluding derivative contracts)

31 March 2014 £000		31 March 2015 £000
	Index-linked securities	
	UK	
45,678	Public sector quoted	54,147
-	Corporate quoted	-
45,678		**54,147**
	Equities	
	UK	
379,407	Quoted	395,956
	Overseas	
267,015	Quoted	308,787
-	Unquoted	
646,422		**704,743**
	Pooled funds – additional analysis	
	UK	
179,517	Equity	160,832
179,517		**160,832**
	Overseas	
257,1321	Fixed income unit trust	276,515
384,712	Equity	479,497
641,844		**756,012**
113,051	Pooled Property Investments	150,173
1,523	Venture Capital	1,432
-	Cash funds	50
114,574		**151,655**
1,628,035	**Total**	**1,827,389**

During 2014-15 investments in Fixed Interest Securities were reclassified to Pooled Investments and certain equity pooled funds were reclassified from UK to Overseas. Values at 31 March 2014 have been re-presented accordingly.

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 maybe 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 between the Fund and the various investment managers.

Forward foreign currency

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

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

Settlement	Currency bought	Local Value	Currency sold	Local Value	Asset Value	Liability Value
		Currency 000s		Currency 000s	£000	£000
Up to one month	GBP	3,072	EUR	(4,005)	173	-
Up to one month	JPY	1,428,778	USD	(12,061)	-	(98)
Up to one month	USD	12,029	JPY	(1,428,778)	76	-
One to six months	GBP	2,130	EUR	(2,951)	-	(9)
One to six months	GBP	13,057	JPY	(1,584,536)	-	(114)
Total					**249**	**(221)**
Net forward currency contracts at 31 March 2015						**28**
Prior Year Comparative						
Open forward currency contracts at 31 March 2014					**58**	**(7)**
Net forward currency contracts at 31 March 2014						**51**

Futures

Type	Expires	Economic Exposure	Market Value 31 March 2014	Economic Exposure	Market Value 31 March 2015
		£000	£000	£000	£000
UK Equity Futures	Less than one year	3,403	20	-	-
Total Assets			**20**		**-**
Liabilities					
UK Equity Futures	Less than one year	-	-	-	-
Total Liabilities			**-**		**-**
Net Futures			**20**		-

Investments analysis by Fund manager

Market value 31 March 2014			Market value 31 March 2015	
£000	%		£000	%
532,943	32.2	UBS	603,451	32.6
303,298	18.3	Wellington	331,208	17.9
257,632	15.5	Newton	301,308	16.3
236,176	14.2	Majedie	231,685	12.5
131,550	7.9	Baillie Gifford	142,161	7.7
113,417	6.8	CBRE	147,852	8.0
83,190	5.0	Skagen	88,780	4.8
1,523	0.1	Catapult	1,432	0.1
118		Cash	1,863	0.1
1,659,847	**100.0**		**1,849,740**	**100.0**

All the above companies are registered in the United Kingdom.

The following investments represent more than 5% of the net assets of the scheme

Security	Market value 31 March 2014 £000	% of total Fund	Market value 31 March 2015 £000	% of total Fund
UBS Life World Equity Tracker	301,522	18.2	355,364	19.2
Baillie Gifford Diversified Growth Fund	131,550	7.9	142,160	7.7
Wellington Sterling Core Bond Plus Portfolio GBP	91,398	5.5	105,101	5.7
Wellington Management Port (Cayman) - Global Strategic Class GBP-A Dist (GBP)	89,084	5.4	92,034	5.0
Skagen Funds Global II	83,190	5.0	88,880	4.8

15c: Stock lending

The Fund strategy statement sets the parameters for the Fund's stock lending programme. At the year end, the value of quoted equities on loan was £67.7m (31 March 2014: £52.2m). These equities continue to be recognised in the Fund's financial statements.

Counterparty risk is managed through holding collateral at the Fund's Custodian. As at 31 March 2015, the Custodian held collateral at fair value of £74.6m (31 March 2014: £55.7m). Collateral consists of acceptable securities and Government debt.

Stock lending commissions are remitted to the Fund via the Custodian. During the period the stock is on loan, the voting rights of the loaned stock pass to the borrower.

There are no liabilities associated with the loaned assets.

16 Financial Instruments

16a: Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and Net Assets Statement heading. No financial assets were reclassified during the accounting period.

Market value 31 March 2014				Market value 31 March 2015		
Designated as fair value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised cost £000		Designated as fair value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised cost £000
			Financial assets			
45,678	-	-	Index-linked securities	54,147	-	-
646,422	-	-	Equities	704,743	-	-
821,361	-	-	Pooled investments	916,894	-	-
113,051	-	-	Pooled property investments	150,173	-	-
1,523	-	-	Private Equity/ infrastructure	1,432	-	-
78	-	-	Derivative contracts	249	-	-
-	31,471	-	Cash	-	19,409	-
2,227	-	-	Other investment balances	1,475	-	-
-	2,787	-	Debtors	-	3,515	-
1,630,340	**34,258**	**-**		**1,829,113**	**22,924**	**-**
			Financial Liabilities			
(7)	-	-	Derivative contracts	(223)	-	-
-	-	(4,744)	Creditors	-	-	(2,074)
(7)	**-**	**(4,744)**		**(223)**	**-**	**(2,074)**
1,630,333	**34,258**	**(4,744)**		**1,828,890**	**22,924**	**(2,074)**

During 2014-15 investments in Fixed Interest Securities were reclassified to Pooled Investments. Values at 31 March 2014 have been represented accordingly. In addition, creditors have been re-categorised as Financial Liabilities at Amortised Cost and the prior period presentation amended accordingly.

16b: Net gains and losses on financial instruments

Market value 31 March 2014 £000		Market value 31 March 2015 £000
	Financial Assets	
101,400	Fair value through profit and loss	177,104
5	Loans and receivables	5
	Financial liabilities	
199	Fair value through profit and loss	1,288
(113)	Loans and receivables	(234)
101,491	**Total**	**178,163**

16c: Fair value of financial instruments and liabilities

The following table summarises the carrying values of financial assets and liabilities by class of instrument compared with their fair values.

Market value 31 March 2014			Market value 31 March 2015	
Carrying value £000	Fair value £000		Carrying value £000	Fair value £000
		Financial Assets		
1,630,340	1,630,340	Fair value through profit and loss	1,829,113	1,829,113
34,258	34,258	Loans and receivables	22,924	22,924
1,664,598	1,664,598	**Total financial assets**	**1,852,037**	**1,852,037**
		Financial liabilities		
(7)	(7)	Fair value through profit and loss	(223)	(223)
(4,744)	(4,744)	Financial liabilities measured at amortised cost	(2,074)	(2,074)
(4,751)	(4,751)	**Total financial liabilities**	**(2,297)**	**(2,297)**

The Authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

16d: Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quantity and reliability of information used to determine fair values.

Level 1

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

Listed investments are shown as bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments 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 the valuation techniques are used to determine fair value and where techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments 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.

Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. 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 County Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, 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.

The values of the investment in hedge funds are based on the net asset value provided by the Fund manager. Assurances over the valuation are gained from the independent audit of the value.

The following table provides an analysis of the financial assets and liabilities of the Pension Fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

	Quoted Market Price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Financial assets				
Financial assets at fair value through profit and loss	827,046	847,353	154,714	1,829,113
Loans and receivables	22,924	-	-	22,924
Total financial assets	**849,970**	**847,353**	**154,714**	**1,852,037**
Financial Liabilities				
Financial liabilities at fair value through profit and loss	(223)	-	-	(223)
Financial liabilities at amortised cost	(2,074)	-	-	(2,074)
Total financial liabilities	**(2,297)**	**-**	**-**	**(2,297)**
Net financial assets	**847,673**	**847,353**	**154,714**	**1,849,740**

Values at 31 March 2014	Quoted Market Price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets				
Financial assets at fair value through profit and loss	755,728	753,905	120,707	1,630,340
Loans and receivables	34,258	-	-	34,258
Total financial assets	**789,986**	**753,905**	**120,707**	**1,664,598**
Financial Liabilities				
Financial liabilities at fair value through profit and loss	(7)	-	-	(7)
Financial liabilities at amortised cost	(4,744)	-	-	(4,744)
Total financial liabilities	**(4,751)**	**-**	**-**	**(4,751)**
Net financial assets	**785,235**	**753,905**	**120,707**	**1,659,847**

17 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 Council manages these investment risks as part of its overall Pension Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension 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 to market risk from its investment activities, particularly 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 level;
- 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.

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. Possible losses from shares sold short are unlimited. 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

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome will depend largely on the Fund's asset allocations.

The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the last three years. This can then be applied to the period end asset mix as follows:

Asset Type	Value at 31 March 2015 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
UK Equities	414,627	10.6	458,660	370,594
Global Equities	788,284	9.2	860,727	715,841
Bonds & Index-linked	330,662	3.7	342,930	318,394
Diversified Growth	142,161	4.0	147,847	136,475
Alternatives	1,432	8.0	1,546	1,318
Property	150,173	3.4	155,204	145,142
Net derivative assets	26	0.0	26	26
Investment income due	3,515	0.0	3,515	3,515
Cash	19,459	0.0	19,459	19,459
Amounts receivable for sales of investments	1,475	0.0	1,475	1,475
Amounts payable for purchases of investments	(2,074)	0.0	(2,074)	(2,074)
Total Assets	**1,849,740**	**6.35**	**1,967,198**	**1,732,282**

Note: The percentage change for Total Assets includes the impact of correlation across asset classes

Asset Type	Value at 31 March 2014 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
UK Equities	510,564	12.2	573,006	448,122
Global Equities	568,537	11.4	633,066	504,008
Bonds & Index-linked	302,810	3.6	313,590	292,030
Diversified Growth	131,550	4.5	137,470	125,630
Alternatives	1,523	7.1	1,631	1,415
Property	113,051	2.5	115,992	110,179
Net derivative assets	71	0.0	71	71
Investment income due	2,787	0.0	2,787	2,787
Cash	31,471	0.0	31,471	31,471
Amounts receivable for sales of investments	1,397	0.0	1,397	1,397
Amounts payable for purchases of investments	(3,914)	0.0	(3,914)	(3,914)
Total Assets	**1,659,847**	**7.80**	**1,789,315**	**1,530,379**

Note: The percentage change for Total Assets includes the impact of correlation across asset classes.

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 2015 and 31 March 2014 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset type	As at 31 March 2015 £000	As at 31 March 2014 £000
Cash and cash equivalents	19,409	31,471
Cash balances	8,252	19,817
Fixed interest securities	54,147	45,678
Total	**81,808**	**96,966**

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) 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 change in interest rates:

Asset type	Carrying amount as at 31 March 2015	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
	£000	£000	£000
Cash and cash equivalents	19,409	194	(194)
Cash balances	8,252	83	(83)
Fixed interest securities	54,147	541	(541)
Total change in assets available	**81,808**	**818**	**(818)**

Asset type	Carrying amount as at 31 March 2014	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
	£000	£000	£000
Cash and cash equivalents	31,471	315	(315)
Cash balances	19,817	198	(198)
Fixed interest securities	45,678	457	(457)
Total change in assets available	**96,966**	**970**	**(970)**

Currency risk

There are two approaches to determining potential currency risk.

The first method determines the potential volatility of the aggregate currency exposure within the Fund at the period end and applies this single outcome to all non-UK assets. In order to calculate this, a currency basket is created based on the Fund's currency mix.

Repeating this for all of the months in our measurement period allows a measurement of the observed volatility of this unique currency basket's changes relative to GBP. In the Northamptonshire Fund, the result is 5.71% p.a. This change is applied to the Fund's overseas assets as follows;

Asset Type	Value £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Overseas Equities	791,380	5.71	836,538	746,222
Overseas Fixed Interest	276,515	5.71	292,293	260,736
Total overseas assets	**1,067,895**		**1,128,831**	**1,006,958**

b) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund 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 Council has immediate access to its Pension Fund cash holdings, with the exception of holdings that are fixed when the deposit is placed.

The Fund currently generates surplus cash from its normal activities and therefore does not have access to an overdraft facility. The surplus cash position of the Fund is reviewed periodically and a forecast is also provided as part of its cash management strategy.

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 into cash. As at 31 March 2015 the value of illiquid assets was £151.6m, which represented 8.2% of the total Fund assets (31 March 2014: £113.4m, which represented 6.8% 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's investment strategy.

All financial liabilities at 31 March 2015 are due within one year.

c) Refinancing risk

The key risk is that the Council will be bound to replenish a significant proportion of its Pension Fund financial instruments at a time of unfavourable interest rates. The council does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

18 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 2013. The next valuation will be based on Fund information as at 31 March 2016.

The objectives of the Fund's funding policy are:

- To ensure the long-term solvency of the Fund as a whole and the solvency of each of the national sub funds allocated to each individual employer.
- To ensure that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- To help employers recognise and manage pension liabilities as they accrue with consideration to the effect on the operation of their business;
- To minimise the degree of short term change in the level of each employer's contributions;
- Not to restrain unnecessary the investment strategy of the Fund so that the administrating Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;
- To address the different characteristics of the disparate employers and ultimately to the council tax payer from an employer ceasing participation or defaulting on its pension obligations;
- 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.
- To maintain the affordability of the Funds employers as far as is reasonable over the long-term.

The aim is to achieve 100% solvency over a period the next 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. When an employer's funding level is less than 10% of the 100% funding target, then a deficit recovery plan will be put in place requiring additional contributions from the employer to meet the shortfall.

At the March 2013 actuarial valuation the Fund was assessed as 70.5% funded (73.0% at the March 2010 valuation), with a deficit of £646m (2010 valuation deficit of £445m).

Contribution increases are phased in over the three year duration of the valuation period with specific rates per employer, including a deficit cash figure to protect recovery of employer deficits. The Fund has a common contribution rate (i.e. the average fund rate) which as at March 2013 is 32.1% (2010 24.7%).

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2013 actuarial valuation report and the funding strategy statement on the Funds website.

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

Investment return (discount rate)	1.6%	Based on 25 year bond returns extrapolated to reflect the duration of the Fund's liabilities
Inflation		Assumed to be RPI
Salary Increases	1.8% pa over CPI	
Pension Increases	In line with CPI	Assumed to be 0.8% less than RPI

Mortality assumptions

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

Mortality assumptions at age of 65	Male	Female
Current Pensioners	22.3	24.3
Future Pensioners (assumed current age 45)	24.0	26.6

Historical mortality assumptions

Life expectancy for the year ended 31 March 2013 is based on PFA92 and PMA92 actuarial tables. The allowances for future life expectancy are:

Prospective Pensioners	Current Pensioners
Year of birth, medium cohort with 1% minimum improvements from 2007	Year of birth, medium cohort with 1% minimum improvements from 2007

Commutation assumption

It is assumed that future retirees will take 50% of the maximum additional tax-free lump sum up to HMRC limits for pre April 2008 and 75% of the maximum for post April 2008 service.

19 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, 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 18). The actuary has also valued ill health and death benefits in line with IAS19.

The actuarial present value of promised retirement benefits at 31 March 2015 was £3.09bn (31 March 2014 £2.57bn). The Funds accounts do not take account of liabilities to pay pensions and other benefits in the future.

The liabilities above are calculated on an IAS 19 basis and therefore differ from the results of 2013 triennial funding valuation (see Note 18) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Assumptions used

Inflation/pension increase rate assumption	2.4%
Salary increase rate	4.3%
Discount rate	3.2%

20 Current Assets

31 March 2014 £000		31 March 2015 £000
6,309	Contributions due – employers	5,626
982	Contributions due – employees	522
721	Other debtors	824
-	Funds due from the County Council	1,327
19,817	Cash balances	8,252
27,829	**Total**	**16,551**

The significant majority of other debtors are employers in the Fund.

21 Current Liabilities

31 March 2014 £000		31 March 2015 £000
364	Benefits payable	242
2,529	Sundry creditors	1,415
1,173	Funds due to the County Council	-
4,066	**Total**	**1,657**

The £0.6m due to the County Council at 31st March 2014 represented the amount payable to the County Council for the administration of the Pension Fund; the amount was paid over in April 2014.

22 Additional Voluntary Contributions

Market value at 31 March 2014 £000		Market value at 31 March 2015 £000
2,727	Prudential	3,113
678	Standard Life	713
3,405	**Total**	**3,826**

Total contributions of £751k were paid directly to Prudential during the year (2013-14: £713k).

Total contributions of £14k were paid directly to Standard Life during the year (2013-14: £26k).

23 Related Party Transactions

Northamptonshire County Council

The Northamptonshire Pension Fund is administered by Northamptonshire County Council.

The Council incurred costs of £1.9m (2013-14: £2.2m) in relation to the administration of the Fund and was consequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and paid employer's contributions of £24.6m to the Fund in 2014-15 (2013-14: £27.8m). All monies owing to and issued from the Fund were paid in year.

Governance

There is one member of the Pensions Committee who is in receipt of pension benefits from the Northamptonshire Pension Fund. In addition, there are six committee members who are active members and one deferred member of the Pension Fund.

County Council Members

Cllr Graham Lawman (Chairman)
Cllr Jim Hakewill (Vice Chairman)
Cllr Michael Brown
Cllr Matthew Golby (resigned on 27 April 2014)
Cllr Malcolm Longley (appointed on 27 April 2014)
Cllr Dennis Meredith
Cllr Russell Roberts
Cllr Bob Scott
Cllr Mick Scrimshaw (Substitute Member)
Cllr Bill Parker (Substitute Member)

District/Borough Councils' Representatives

Cllr Malcolm Ward (Wellingborough Borough Council)
Cllr Martin Wilson (South Northants District Council)
Cllr Richard Lewis (East Northants District Council)
(Substitute Member)

Universities and Colleges Representative

Roger Morris

Other Employers' Representatives

Alicia Bruce
Robert Austin (Substitute Member)

Employees' Representatives

Peter Borley-Cox
Josie Mason
Andy Langford (Substitute Representative)

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

24 Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2015 totalled £0.3m (31 March 2014: £0.4m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts ‘called’ by these funds are irregular in both size and timing over a period of between 10 and 12 years from the date of the original commitment.

25 Contingent Assets

Four admitted body employers in the Northamptonshire Pension Fund hold insurance bonds to guard 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.

Appendix A – Governance Policy & Compliance Statement
Appendix B – Joint Administration Strategy & Joint Communication Strategy
Appendix C – Funding strategy statement
Appendix D - Statement of Investment Principles

NORTHAMPTONSHIRE PENSION FUND

LOCAL PENSION BOARD

21 January 2016

Report by: THE HEAD OF PENSIONS

Subject:	**Payment of Employee and Employer Pension Contributions Policy**
Purpose of the Report	To present the Payment of Employee and Employer Pension Contributions Policy to the Pensions Committee.
Recommendations	**The Pension Fund Board are asked to review the Policy and make recommendations to the Pension Committee where appropriate.**
Enquiries to:	Joanne Walton – LGSS Pensions Governance and Regulations Manager Tel: 01604 367030 e-mail: jwalton@northamptonshire.gov.uk

1. Background

1.1 In order to ensure that Scheme Employers are fully aware of their legal responsibilities with regards to the payment of employee and employer contributions, as detailed in legislation and the Pensions Regulator's Code of Practice number 14 (Governance and administration of public service pension schemes) a "Payment of Employee and Employer Pension Contributions Policy" was drafted and approved by the Pension Committee on 18 December 2015.

1.2 The policy ensures that both Scheme Employers and Officers of the Fund have a clear process for dealing with non compliance and provide further strength and evidence to the Pensions Regulator that as a Fund, all the relevant controls are in place.

1.3 The Payment of Employee and Employer Pension Contributions Policy is attached in Appendix 1 which the Pension Fund Board is asked to review and provide any comments for the Pension Committee to consider.

2. Legal Requirements

2.1 Regulation 67 and 69 of The Local Government Pension Scheme Regulations 2013 states that payment of both employee and employer contributions along with a schedule as specified by the Administering Authority must be submitted by the 19th day of the month following deduction as per overriding legislation, Regulation 49 of the Pensions Act 1995

2.2 Regulation 5 of The Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 provides that the Administering Authority keep accurate records of transactions which emphasises the requirement for employers to submit accurate and timely schedules along with their payments.

2.3 The Pensions Regulator also enforces the legal obligation of employers to pay over pension contributions and provide a schedule as detailed in the Pensions Regulator's Code of Practice (14): Governance and Administration of public service pension schemes.

3. Monitoring and Process

3.1 A late payment (including contributions expressed as a monetary amount, referred to usually as a cash deficit payment) is constituted by either late submission of payment schedule and/or late payment of contributions to the Fund. Both schedule and payment is due to the Fund by the 19th of the month following the month of deduction. As default, monetary deficit payments should be paid on a monthly basis. Any arrangement to pay in other frequencies must be approved by the Head of Pensions.

3.2 The Policy sets out the process that should be enforced by Officers in order to seek resolution and ensure that future payments are made on time through the consequences of persistent late payments.

3.3 If a Scheme Employer submits a schedule and/or payment late for 3 consecutive months or 3 months in a rolling 6 month period, the Fund will reserve the right to charge an Administration Fee as well as charge interest. The Policy is designed to make Scheme Employers aware of this.

3.4 The Policy also outlines to Scheme Employers that appropriate action will be taken against them in the event of persistent reoccurrence.

4. Relevant Pension Fund Objectives

Perspective	Outcome
Funding and Investment	• To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions. • To ensure that sufficient resources are available to meet all liabilities as they fall due. • To maximise the returns from its investments within reasonable risk parameters.
Governance	• To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies. • Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.

Perspective	Outcome
Communications	• Promote the Scheme as a valuable benefit. • Deliver a clear and consistent message; that is simple, relevant and impactful, uses plain English throughout and engages all levels of stakeholders' understanding. • Provide clear information about the Scheme, including changes to the Scheme, and educate and engage with members so that they can make informed decisions about their benefits. • Seek and review regular feedback from all stakeholders about communication and shape future communications appropriately. • Look for efficiencies in delivering communications including through greater use of technology and partnership working.
Administration	• Provide a high quality, friendly and informative administration service to the Funds' stakeholders. • Administer the Funds in a cost effective and efficient manner utilising technology. • Ensure the Funds and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Funds. • Put in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary. • Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount. • Maintain accurate records and ensure data is protected and has authorised use only. • Understand the issues affecting scheme employers and the LGPS in the local and national context and adapt strategy and practice in response to this.

5. Finance & Resources Implications

5.1 Not applicable.

6. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There are no risks associated with this report.		

b) Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
There are no risks associated with this report.	

7. Communication Implications

7.1 Not applicable.

8. Legal Implications

8.1 Not applicable.

9. Consultation with Key Advisers

9.1 Not applicable.

10. Alternative Options Considered

10.1 Not applicable

11. Background Papers

11.1 Not applicable

12. Appendices

Appendix 1: Payment of Employee and Employer Pension Contributions Policy 2015

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Director of Finance/Section 151 Officer?	Not applicable
Has this report been cleared by Head of Pensions?	Mark Whitby – 04/01/2016
Has this report been cleared by Legal Services?	Not applicable

Agenda Item No: 7

NORTHAMPTONSHIRE PENSION FUND

LGSS

LOCAL PENSION BOARD

21 January 2016

Report by: THE HEAD OF PENSIONS

Subject:	**Policy for Admission Bodies, Scheme Employers and Bulk Transfer**
Purpose of the Report	To present the Policy for Admission Bodies, Scheme Employers and Bulk Transfer to the Pension Fund Board
Recommendations	**The Pension Fund Board are asked to review the Policy and make recommendations to the Pension Committee where appropriate.**
Enquiries to:	Joanne Walton – LGSS Pensions Governance and Regulations Manager Tel: 01604 367030 E-mail: jwalton@northamptonshire.gov.uk

1. Background

1.1 The Admission Bodies, Scheme Employers and Bulk Transfer Policy was reviewed and approved by the Pension Committee at the meeting of the 23 October 2015. The policy was brought to the Pension Committee for approval following an exercise to streamline the policy and amend a number of technical terms following the introduction of The Local Government Pension Scheme Regulations 2013 (as amended).

1.2 Prior to the review by the Pension Committee in October 2015, the policy was last reviewed and approved in 2012.

1.3 The Local Government Pension Scheme Regulations 2013 (as amended) ("The Regulations") provides for a variety of different categories of body that have access to the LGPS as a pensions saving vehicle for their employees. The right of access varies and may be as an automatic right, at the discretion of the administering authority or contingent on a body agreeing admission terms.

1.4 The Regulations also set out broadly the manner in which an administering authority can manage the financial risks associated with bodies in the Pension Fund and the treatment of bodies withdrawing from the Fund.

1.5 The Regulations set out certain rules governing the treatment of bulk transfers, including when a transfer should be treated as bulk transfer as opposed to an individual transfer.

1.6 In formulating policies in these areas it is also important to consider the links with the Funding Strategy Statement and the guidance and regulatory framework beyond the LGPS, such as Fair Deal, the Office of the Deputy Prime Minister's Code of Practice on Workforce Matters and the Best Value Authorities Staff Transfers (Pensions) Direction 2007.

1.7 The Admission Bodies, Scheme Employers and Bulk Transfer Policy is attached in Appendix 1 which the Pension Fund Board is asked to review and provide any comments for the Pension Committee to consider.

2. Relevant Pension Fund Objectives

Perspective	Outcome
Governance	• To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies. • Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.
Communications	• Promote the Scheme as a valuable benefit. • Deliver a clear and consistent message; that is simple, relevant and impactful, uses plain English throughout and engages all levels of stakeholders' understanding. • Provide clear information about the Scheme, including changes to the Scheme, and educate and engage with members so that they can make informed decisions about their benefits. • Seek and review regular feedback from all stakeholders about communication and shape future communications appropriately. • Look for efficiencies in delivering communications including through greater use of technology and partnership working.
Funding and Investment	• To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions. • To ensure that sufficient resources are available to meet all liabilities as they fall due. • To maximise the returns from its investments within reasonable risk parameters.

Perspective	Outcome
Administration	• Provide a high quality, friendly and informative administration service to the Funds' stakeholders. • Administer the Funds in a cost effective and efficient manner utilising technology. • Ensure the Funds and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Funds. • Put in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary. • Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount. • Maintain accurate records and ensure data is protected and has authorised use only. • Understand the issues affecting scheme employers and the LGPS in the local and national context and adapt strategy and practice in response to this.

3. Finance & Resources Implications

3.1 Not applicable.

4. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There are no risks associated with this report.		

b) Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
There are no risks associated with this report.	

5. Communication Implications

5.1 Not applicable.

6. Legal Implications

6.1 Not applicable.

7. Consultation with Key Advisers

7.1 Not applicable.

8. Alternative Options Considered

8.1 Not applicable

9. Background Papers

9.1 Not applicable

10. Appendices

Appendix 1: Policy for Admission Bodies, Scheme Employers and Bulk Transfer

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	Not applicable
Has this report been cleared by Head of Pensions?	Mark Whitby – 04/01/2016
Has this report been cleared by Legal Services?	Not applicable

Northamptonshire
Pension Fund

Admission Bodies, Scheme Employers and Bulk Transfer Policy 2015

LGSS

Contents

1 Introduction

1.1 This is the policy of the Northamptonshire Pension Fund ("The Fund") regarding the treatment of admission bodies and scheme employers in the Fund (in particular their commencement and cessation) and the bulk transfer of pension rights to and from the Fund. This policy should be read in conjunction with the Funding Strategy Statement and relevant legislation, such as the Local Government Pension Scheme Regulations 2013 (as amended) ("The Regulations").

2 Policy Objectives

2.1 The Fund's objectives related to this policy are as follows:

- To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions;
- To ensure that sufficient resources are available to meet all liabilities as they fall due;
- Ensure benefits are paid people at the right time in the right amount; and
- Put in place standards for the Fund and its employers and ensure these standards are monitored, enforced and developed as necessary.

3 Purpose of the policy

3.1 The purpose of the policy is to –

- ensure the long-term solvency of the Fund as a whole and the solvency of each of the notional sub funds allocated to the individual employers;
- ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- not restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;
- help employers recognise and manage pension liabilities as they accrue with consideration to the effect on the operation of their business where the Administering Authority considers this appropriate;
- minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so;

- use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer ceasing participation or defaulting on its pension obligations;

- address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective; and

- maintain the affordability of the Fund to employers as far as is reasonable over the longer term.

4 Northamptonshire Pension Fund Policies

4.1 Admission Bodies

4.1.1 Bond, indemnity or guarantor requirements for entry

4.1.1.1 The Fund will require any potential admission body to provide:

- Bodies admitted under Paragraphs 1(a) to (c) and (e) of Part 3 of Schedule 2 to The Regulations must provide a guarantor considered by the Fund to be reliable and financially durable (generally only a local authority or central government department) or a bond/indemnity the Fund considers to have equivalent strength and coverage.

- For bodies admitted under Paragraph 1(d) of Part 3 of Schedule 2 to The Regulations there is a preference for a bond or indemnity to be provided. This is not a mandatory requirement as the awarding authority is in effect a guarantor already under the terms of the LGPS Regulations. However, the awarding authority will have to satisfy the administering authority that the form of the guarantee is sufficient to justify the exclusion of a bond or indemnity. In any case the awarding authority will be required to confirm the approach it wishes to take.

4.1.1.2 In all circumstances where a bond or indemnity is provided, the bond or indemnity must be re-evaluated by the Fund and renewed by the body at regular intervals.

4.1.2 Approval for becoming an admission body

4.1.2.1 The officers of the Fund will be responsible for ensuring any bodies meet the criteria set out above, having regard to the appropriate legal and actuarial advice. The Fund's admission agreements will generally be standard and non-negotiable, drawn up on advice from the Fund actuary and legal advisor. These terms will include commencement, transfer, payment, bond/indemnity or guarantor requirements, as well as termination clauses to protect the other beneficiaries and participants in the Fund.

4.1.2.2 All applications by bodies assessed by officers as complying with Paragraph 1(d) of Part 3 of Schedule 2 to The Regulations and meeting the terms of the admission agreement will be accepted and reported to the Pension Fund Committee for information only. Applications that materially depart from these criteria and/or the standard terms of the admission agreement will be reported to the Pension Fund Committee for agreement, and may be refused.

4.1.2.3 All applications from bodies under Paragraphs 1(a) to (c) and (e) of Part 3 of Schedule 2 to The Regulations will be subject to agreement by the Pension Fund Committee.

4.1.3 Allocation of assets

4.1.3.1 The allocation of assets at the commencement of an admission agreement will be as follows:

- For bodies admitted under Paragraph 1(d) of Part 3 of Schedule 2 to The Regulations the assets allocated will be 100% of the value of the past service liabilities of any transferring employees;

  (Any alternative approach proposed by the awarding authority is subject to agreement by the Fund)

- For bodies admitted under Paragraphs 1(a) to (c) and (e) of Part 3 of Schedule 2 to The Regulations the asset allocation will be agreed in each individual case depending on the circumstances of the case, taking into consideration the views of any transferring employer.

4.1.3.2 In both cases, the assets will be calculated using the Fund's ongoing funding basis as set out in the Funding Strategy Statement.

4.1.3.3 This asset share will be tracked during the period of the admission agreement and adjusted no less frequently than at each formal triennial valuation to take account of the admission body's actual experience over the period since the previous valuation (or date of entry if later) against what was assumed.

4.1.3.4 The assets will remain within the main Fund (i.e. no separate admission body fund will be set up).

4.1.4 Investment Strategy

4.1.4.1 The investment strategy is set for the Fund as a whole, not for each employer's notional share of the Fund. Any alternative approach proposed is subject to agreement by the Fund.

4.1.5 Contribution rates and other costs

4.1.5.1 Admission bodies will be required to pay the employer contribution rate set out in the Fund actuary's initial report, and subsequently in the Fund rates and adjustments certificate as varied from time to time. The rate will be set by the Fund's actuary and will be set in accordance with the funding strategy statement, taking into consideration elements such as:

- any past service;
- whether the admission agreement is open or closed;
- whether the admission agreement is fixed term or not, and the period of any fixed contract period; and
- the employer covenant and that of its guarantor (if any) and/or any bond or indemnity to be put in place.

4.1.5.2 The admission body will be required to pay additional payments including, but not limited to:

- lump sums in relation to any early retirements or early payment of pension benefits; lump sums in relation to any award of additional benefits;
- reimbursement of the administering authorities or other bodies costs due to poor administration by the admission body; and
- additional payments in respect of early payment and/or enhancements for early retirements on ill-health grounds.

4.1.5.3 All lump sums in relation to non-ill health early retirement will be paid immediately by the admission body unless the Head of Pensions and Section 151 Officer for Northamptonshire County Council jointly agree the payment may be extended over a maximum period of 3 years.

4.1.5.4 The Fund reserves the right to also request immediate payment of any ill-health strain payment not covered by the Fund's ill health insurance policy

4.1.5.5 As mentioned later, a pass-through arrangement may be entered into in certain circumstances which moves away from some of the principles mentioned above.

4.1.5.6 The Fund may require any actuarial, legal, administration and other justifiable cost to be paid by the admission body. It may be agreed that these costs are partly or wholly paid for by the awarding authority (if any).

4.1.5.7 The Fund will communicate the implications to the awarding authority of a transfer and may require the revision of the contribution rate payable by the awarding authority after the transfer occurs.

4.1.5.8 The Fund reserves the right to require payment by the awarding authority of a lump sum contribution to cover any deficit in respect of transferees.

4.1.6 Pass through arrangements

4.1.6.1 In the case of a body admitted under Para 1(d), and where agreed by the awarding authority and the body, the Fund may allow that employer to enter into a pass-through arrangement.

4.1.6.2 Under the pass-through arrangement, the admission body:

- will either have a fixed contribution rate, or its contribution rate will vary in line with the awarding authority's rate;
- may be required to pay additional contributions due to excessive pay awards to the admission body's own employees;
- may be required to provide a bond or indemnity in respect of redundancy and any other risks identified by the scheme employer; and
- will be required to pay strain costs in respect of non-ill-health early retirements.

4.1.6.3 In the event of cessation of the admission agreement the admission body will not be required to pay any cessation shortfall (except possibly for any additional liabilities resulting from excessive pay awards, any unpaid contributions and any strain costs in respect of non-ill health early retirements).

4.1.7 Ongoing Monitoring of admission bodies

4.1.7.1 During the period of the admission agreement, the level of risk in relation to any bonds or indemnities in place will be reassessed at regular intervals and the relevant admission bodies will be required to renew their bond or indemnity appropriately. Contribution rates will be reviewed at formal valuations. In addition, the Fund reserves the right to review contribution rates for admission bodies annually or more frequently, particularly within the final three years before the expected date of termination of the admission agreement.

4.1.7.2 Where an employer acts as a guarantor to an admission body or bodies, an assessment will be carried out every three years to establish the level of risk being borne by the employer in respect of its guarantees and to ensure that the strength of the guarantee continues to be to the satisfaction of the administering authority.

4.1.7.3 Furthermore, the Fund will carry out ongoing monitoring and/or put in place processes to assist with ongoing monitoring. If it appears that the liabilities relating to an admission body have increased more than had been allowed for at the preceding triennial valuation, the Fund may review the employer contribution rate (i.e. outside of the formal triennial valuation cycle).

4.1.8 Cessation terms and requirements

4.1.8.1 The Fund reserves the right for the agreement to be terminated in any of, but not limited to, the following circumstances:

- Where the admission body is not paying monies in a timely manner;
- Where the admission body is not meeting administrative requirements relating to the provision of information;
- Where the admission body is not meeting its requirement to provide or review any bond/indemnity or guarantor;
- Where no further active members exist; or
- Where the employer is wound up, merged or ceases to exist.

4.1.9 Future Cessation

4.1.9.1 Where an admission agreement for a body that has no awarding authority or central government guarantor is likely to terminate within the next 5 to 10 years or lose its last active member within that timeframe, the Fund reserves the right to set contribution rates by reference to liabilities valued on the termination basis (as per below). The target in setting contributions for any employer in these circumstances is to achieve full funding on a termination basis by the time the agreement terminates or the last active member leaves in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required on termination.

4.1.10 Basis of termination valuation

4.1.10.1 The Funds general principle on the cessation of an admission body is to assume a “clean break” on termination, i.e. the departing employer’s liability to make further contributions to the Fund is extinguished on payment of the termination deficit calculated on an appropriate basis;

4.1.10.2 The Fund's policy in relation to the calculation of cessation valuations in various circumstances is shown below, albeit each case will be considered on its own merits in accordance with the Scheme of Delegation.

a) *Admitted bodies with a predetermined contract end date which may be specified in the admission agreement.*

- Employers at the natural end of a contract – Once the contract is complete or the employer has completed the services it was contracted to carry out (and no plans for extending the contract are in place); the employer will leave the Fund. Under these circumstances, it is usual for the remaining active employees to transfer back to the awarding authority or into a second (or later) generation contractor.

  In this scenario, the Fund would expect the responsibility for the deferred pensioners and pensioners to transfer back to the awarding authority. The cessation liabilities will normally be calculated on an ongoing valuation basis since the awarding authority will be taking responsibility for funding those liabilities.

  If any member is made redundant at the natural end of the contract any resulting early retirement strain will be paid to the Fund by the ceasing employer.

- Employers that leave the scheme prior to the natural end of an admission agreement – Under these circumstances, it will need to be established whether the current active membership will transfer to another LGPS employer or contractor and who is responsible for any residual and future liabilities in respect of deferred pensioners and pensioners (and also potentially the transferring active members).

  Under the admission agreement, those liabilities that cannot be recovered via a bond/indemnity or guarantor would usually fall back to the awarding authority (who may well be the guarantor) and ideally this should be written into the admission agreement or supporting documents. Employers falling under this category will be considered on a case by case basis since there may be circumstances where the transfer agreement between the awarding authority and the admission body (to which the Fund is a party) dictate a different approach than above to setting the basis relative to the admission body reaching the natural end of its contract.

b) *Non time limited admission bodies.*

- The cessation liabilities and final deficit will normally be calculated using a gilts basis with an allowance for further future mortality improvements.
- It is now a condition of admission that such bodies will be "sponsored" by another scheme employer or another public body or provide an indemnity or security acceptable to the Fund.

- If, for some reason, the Fund is not able to recover the full amount of the final deficit from the admission body, the sponsor (or guarantor) will be expected to assume responsibility for the assets and liabilities in the Fund, which are attributable to the admitted body. Where this is the case, the cessation valuation will normally be re-calculated using an ongoing valuation basis appropriate to the investment strategy.
- If, for some reason, the Fund is not able to recover the full amount of the final deficit from the admission body or guarantor (these will generally be historical cases), then together with any future deficit arising in respect of the membership it will be the responsibility of all the employers in the Fund.

4.1.11.3 The Fund reserves the right to use different funding assumptions if they are deemed to be appropriate.

4.1.11 Payment of cessation deficit

4.1.11.1 The Fund policy will be to collect this cessation payment by way of a lump sum where it is the admission body that is making the payment. The admission body may be allowed to spread payment over an extended period where this is agreed by the Head of Pensions and the Section 151 Officer.

4.1.11.2 Where this is not the case, any outstanding payment, once any bond, indemnity or alternative guarantor has been exhausted, may be recovered by one of the following means:

- by an increase to the awarding authority's or guarantor's ongoing contribution rate, calculated by spreading the outstanding payment over a suitable period to be determined by the Fund. The Fund reserves the right to require payment by immediate lump sum;
- where the deficit is to be spread amongst all the employers in the fund, the rates and adjustments certificate will be adjusted to allow for any ongoing deficit for departed employers at each triennial valuation, commencing from the first triennial valuation after the body departs (unless the results of that valuation have already been finalised);
- the approach in the previous bullet may be deferred whilst there are sufficient assets in the ceased employer's share, to pay benefits to its ex-employees;

4.1.12.3 The administering authority will in all cases seek to maximise the monies recoverable. In exceptional circumstances this may result in an admission body paying less than the full cessation deficit. Any such cases will be subject to approval by the Pension Fund Committee.

4.2 Scheduled and Designating Bodies ("Scheme employers")

4.2.1 These are employers who have a right to participate in the Fund, as opposed to joining via an admission agreement.

4.2.2 Allocation of Assets

4.2.2.1 The allocation of assets at the commencement of an employer will be as follows:

- Academy – share of deficit basis where the amount of assets notionally transferred to an academy is based on the ongoing funding level of active members of the Northamptonshire County Council Pool on the calculation date. The funding level is calculated as the ratio of the remaining assets after sufficient assets have been retained to meet the deferred and pensioner liabilities of the Northamptonshire County Council Pool in full, to the value of active members' liabilities immediately prior to transfer.
- Non academy scheme employers - to be agreed in each individual case depending on the circumstances of the case, taking into consideration the views of any transferring employer as follows (unless a pooling arrangement is entered into as described later in this policy):

4.2.2.2 The assets will be calculated using the Fund's ongoing funding basis as set out in the Funding Strategy Statement.

4.2.2.3 This asset share will be tracked during the period of participation and adjusted no less frequently than at each formal triennial valuation to take account of the body's actual experience over the period since the previous valuation (or date of entry if later) against what was assumed.

4.2.3 Matched Investment Strategy

4.2.3.1 The investment strategy is set for the Fund as a whole, not for each employer's notional share of the Fund.

4.2.3.2 Any alternative approach proposed is subject to agreement by the Fund.

4.2.4 Contribution rates and other costs

4.2.4.1 The employer contribution rate will be set in accordance with the funding strategy statement, taking into consideration elements such as:

- any past service;
- the deficit spread period.
- In the case of an employer permitted to designate which of its employees may join the Scheme, whether such a designation applies to all employees or is restricted.

4.2.4.2 The approach taken is to calculate an individual contribution rate based on the cost of pension accrual for the Scheme employer's own membership plus an adjustment for any deficit inherited.

4.2.4.3 However, academies may (at their own discretion) choose to pay a contribution rate linked to that of Northamptonshire County Council. This is as per the Funding Strategy Statement from time to time, and is available due to the presence of the guarantee provided by the Department for Education. Academies will be made aware that the allocation of assets will be on a share of deficit basis and therefore paying the school contribution rate could lead to underfunding.

4.2.4.4 In addition a Scheme employer will be required to pay additional payments including, but not limited to:

- lump sums in relation to any early retirements or early payment of pension benefits; lump sums in relation to any award of additional benefits;
- reimbursement of the administering authorities or other bodies costs due to poor administration by the employer.
- additional lump sum payments in respect of early payment and/or enhancements for early retirements on ill-health grounds.

4.2.4.5 All lump sums in relation to non-ill health early retirement will be paid immediately by the Scheme employer unless the Head of Pensions and Section 151 Officer for Northamptonshire County Council jointly agree the payment may be extended over a maximum period of 3 years.

4.2.4.6 The Fund reserves the right to also request immediate payment of any ill-health strain payment not covered by the Fund's ill health insurance policy

4.2.4.7 The Fund may require any actuarial, legal, administration and other justifiable cost to be paid by the Scheme employer.

4.2.5 Ongoing Monitoring of Scheme employers

4.2.5.1 The Fund will carry out ongoing monitoring and/or put in place processes to assist with ongoing monitoring. If it appears that the liabilities relating to a body have increased more than had been allowed for at the preceding triennial valuation, the Fund may review the employer contribution rate (i.e. outside the formal triennial valuation cycle).

4.2.6 Cessation terms and requirements

4.2.6.1 Termination of an employer would be considered to take place, though not limited to, the following circumstances:

- Where no further active members exist; or
- Where the employer is wound up, merged or ceases to exist; or

- Where the employer moves to another LGPS Fund, or another pension scheme, due to reorganisation.

4.2.7 Future Cessations

4.2.7.1 Where a Scheme employer is likely to terminate within the next 5 to 10 years due to losing its last active member within that timeframe, the Fund reserves the right to set contribution rates by reference to liabilities valued on the termination basis (as per below). The target in setting contributions for any employer in these circumstances is to achieve full funding on a termination basis by the time the employer terminates, in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required on termination.

4.2.8 Basis of termination valuation

4.2.8.1 The Fund's general principle on the cessation of an employer is to assume a "clean break" on termination, i.e. the departing employer's liability to make further contributions to the Fund is extinguished on payment of the termination deficit calculated on an appropriate basis.

4.2.8.2 The Fund's policy in relation to the calculation of cessation valuations is shown below, albeit each case will be considered on its own merits in accordance with the Scheme of Delegation.

4.2.8.3 The cessation liabilities and final deficit will normally be calculated using a gilts basis with an allowance for further future mortality improvements. If for some reason the Fund is not able to recover the full amount of the final deficit then together with any future deficit arising in respect of the membership it will be the responsibility of all the employers in the Fund. In some circumstances, e.g. where employees are transferring to another LGPS employer such as the local authority, an ongoing valuation approach may be adopted for any transferring liabilities.

4.2.8.4 The administering authority reserves the right to use different funding assumptions if they are deemed to be appropriate.

4.2.9 Payment of cessation deficit

4.2.9.1 The Fund policy will be to collect this cessation payment by way of an immediate lump sum.

4.3 Bulk Transfers

4.3.1 Calculation of Bulk Transfer out of the Fund

4.3.1.1 Payments of bulk transfers from the Fund will be carried out in line with the following:

- Where the bulk transfer is to a broadly comparable scheme by virtue of a local authority or public sector outsourcing services to a contractor under the ODPM Code of Practice on Workforce Matters and/or Fair Deal Guidance the transfer payment will represent the full value of the transferring liabilities on the ongoing funding basis, irrespective of the funding level of the transferring awarding authority. In exceptional circumstances, the bulk transfer may be adjusted to reflect specific issues of the transferring employer. The transfer terms in these situations will be non-negotiable.

- In all other circumstances the bulk transfer, calculated on an ongoing basis, will be considered on the merits of the case. Generally this will result in a share of fund bulk transfer being paid. However, where the transferring employer is leaving the Fund on the transfer date (for example because it no longer has any active scheme members or its admission agreement is ceasing), the bulk transfer value paid from the Fund should be equivalent to the employer's share of the assets in the Fund less an amount withheld to ensure non-transferring liabilities (any deferred or pensioner members) are fully funded on a cessation basis on the transfer date (assuming the transfer date and termination date are the same).
- The share of the Fund assets attributed to the transferring liabilities will be calculated by reference to the funding position of the transferring employer rather than the Fund as a whole.
- The bulk transfer will be calculated using the assumptions adopted for the most recent funding valuation, adjusted for market conditions at the transfer date, to place a value on the transferring liabilities. The funding level adjustment would then be calculated on the transfer date.
- Should the employer's notional ongoing funding position be in surplus, such surplus will **not** normally be transferred as part of a bulk transfer.
- Any shortfall between the bulk transfer payable by the Fund and that which the receiving scheme is prepared to accept must be dealt with outside of the Fund, for example by a top up from the employer to the receiving scheme or through higher ongoing contributions to that scheme. This will be particularly important where the transferring employer's participation in the Fund is ending and the bulk transfer payment is being reduced to accommodate a cessation valuation in respect of the remaining deferred and pensioner liabilities.
- Although there is no physical payment to or from the Fund, transfers between employers within the Fund should be treated in the same way as external transfers, particularly for outsourcings to private contractors to ensure a level playing field between those offering a broadly comparable scheme and those proposing to seek admitted body status. This is to ensure that the level of security offered to the remaining employers in the Fund is not diminished by reason of the transfer.

4.3.2 Adjustment to Transfer Payment between Transfer Date and Payment Date

4.3.2.1 Normally the transfer value will be calculated as at the date the members transfer their employment (on the Transfer Date); this value is then adjusted until the actual Payment Date, which is typically some months or years later.

4.3.2.2 There is an overriding principle of minimising the risk to the Fund of paying out more in the bulk transfer than the Fund holds in assets which are attributable to the transferring liabilities. Consequently, the most appropriate adjustment would be to use the actual returns achieved on the Fund's assets over the appropriate period.

4.3.2.3 There are a number of practical difficulties associated with this, not least the fact that Fund returns are typically only available on a quarterly basis and there is a lag between the quarter end and the availability of the return information. As a result, an approximation is usually required for part of the period, which will typically take the form of applying index returns in line with the benchmark agreed at the time of the bulk transfer.

4.3.2.4 Where the bulk transfer is between the employers in the Fund, the notional transfer of assets is assumed to occur on the transfer date so there is no need to specify such an adjustment.

4.3.3 Format of Bulk Transfer

4.3.3.1 The type of payment will usually be in cash but is at the discretion of Fund, to be decided by the Section 151 Officer. A deduction to the bulk transfer will be made for any administration, legal and transaction costs incurred by Fund as a result of having to disinvest any assets to meet the form of payment that suits the receiving scheme.

4.3.4 Bulk Transfers In

4.3.4.1 The Fund will expect all bulk transfers in to be sufficient to meet the value of the accrued benefits on ongoing valuation assumptions (i.e. the Fund's funding basis) applicable at the transfer date.

4.3.4.2 There may be situations where the transfer amount accepted is less than the benchmark outlined above, in which case the receiving employer will be required to fund this deficit.

4.3.4.3 Depending on the strength of covenant of the receiving employer and the significance of the shortfall, any such shortfall will be met by either a lump sum payment or through increases to its ongoing contribution rate at the point the transfer is made or at the next funding valuation. Any deficit payments that Fund agree to include as part of the ongoing contribution rate will be based on a spreading period not exceeding that set out in the Funding Strategy Statement.

4.3.5 Approval process for paying or receiving a bulk transfer

4.3.5.1 The Fund will normally agree to bulk transfers into or out of the Fund where this policy is adhered to. However, all bulk transfers into or out of the Fund will be put to the Pension Fund Committee for agreement, detailing any proposals to depart from this policy.

4.3.6 Costs

4.3.6.1 The Fund may require any actuarial, legal, administration and other justifiable cost to be paid by the employer in the Fund responsible for the transfer in or out.

Appendix 1

Admission Bodies - Overriding Principles

The purpose of an admission policy is to ensure that only appropriate bodies are admitted to the Fund and that the financial risk to the fund and to employers in the fund is identified, minimised and managed accordingly.

The Fund's policy is drafted on the basis of the following key principles:

- to ensure the long-term solvency of the Fund as a whole and the solvency of each of the notional sub-funds allocated to the individual employers;
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;
- to help employers recognise and manage pension liabilities as they accrue with consideration to the effect on the operation of their business where the Administering Authority considers this appropriate;
- to minimise the degree of short-term change in the level of each employer's contributions 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 ceasing participation or defaulting on its pension obligations;
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective; and
- to maintain the affordability of the fund to employers as far as is reasonable over the longer term.
- to complement the Funding Strategy Statement (FSS)

There is also an overriding objective to ensure that the LGPS Regulations and any supplementary guidance (in particular the Best Value Authorities Staff Transfers (Pensions) Direction 2007 [Statutory Guidance to Local Authorities on Contracting effective from October 2007] and Fair Deal guidance) as they pertain to admission agreements are adhered to.

Appendix 2

Admission Bodies and Scheduled Bodies - The Regulatory and guidance framework

The LGPS

The Local Government Pension Scheme Regulations 2014, as amended, ("The Regulations") describe two main routes by which bodies may gain admission body status. These are;

1. By being linked with, funded by, or representative of a local authority or scheme employer, or providing a public service and having sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest
2. By providing a service as a result of the transfer of the service or assets by means of a contract or other arrangement (e.g. outsourcing).

In December 2009, the Department for Communities and Local Government ("DCLG") issued guidance explaining the LGPS regulatory provisions relating to admission bodies.

Employers may also be admitted to the Fund by virtue of being listed in Schedule 2 of The Regulations. Referred to as Scheduled bodies, such employers have a right to participate in the LGPS.

Fair Deal, ODPM Code of Practice and the Direction

Where employees are being transferred under TUPE, the principles of the Cabinet Office Statement of Practice ("COSOP") dated January 2000 and revised in December 2013 "Staff Transfers in the Public Sector – Statement of Practice", and in particular the "Fair Deal for Staff Pensions" guidance that supports "COSOP" (commonly known as 'Fair Deal') must also be adhered to. The Government published the reformed Fair Deal policy on 4 October 2013, which pertains to transfers from Central Government. The key requirements of this policy are: -

- that employees transferred to a supplier will in future automatically be entitled to remain in their existing public sector pension scheme.
- under the reformed Fair Deal winning bidders generally will not have an option to move employees eligible for public sector pension schemes to a broadly comparable private sector pension scheme apart from in exceptional cases.
- where provision of a broadly comparable pension scheme is agreed, payment of a bulk transfer and protection of past service by provision of day for day service credits (or equivalent allowing for differences in the benefit structure of the new scheme), and
- protection of other pension related terms and conditions of employment, such as enhancement of benefits on redundancy.

Fair Deal for the LGPS is still under consideration. However, it is expected that the spirit of the above policy will be followed.

Appendix 3

Bulk transfers – Overriding principles

The purpose of bulk transfer negotiations is to determine the transfer payment to be paid and the amount of service credits to be awarded when a number of members transfer their benefits from one pension scheme to another.

The Fund's policy is drafted on the basis of the following key principles:

- when a group of active scheme members joins the Fund, the Administering Authority's objective is to ensure, as far as practical that the Fund does not accept an ongoing funding deficit in respect of the transferring employees;
- when a group of active scheme members leaves the Fund, in order to protect the funding position in respect of the remaining members, the transfer values in respect of the transferring members should be no more than the assets held in respect of the transferring liabilities, and at most be 100% of the transferring liabilities on the ongoing funding basis as set out in the Funding Strategy Statement; and
- service credits granted to active scheme members should fully reflect the value of the benefits being transferred, irrespective of the transfer value paid or received.
- There is also an overriding objective to ensure that the LGPS Regulations and any supplementary guidance (in particular the Statutory Guidance to Local Authorities on Contracting issued in August 2005 and Fair Deal guidance) as they pertain to bulk transfers are adhered to.

It should be noted that, as far as possible, employers should treat the Fund's preferred terms on bulk transfers as non-negotiable. Any differences between the value the Fund is prepared to pay (or receive) and that which the other scheme involved is prepared to accept should be dealt with by the employers concerned outside the Fund.

Appendix 4

Bulk Transfer Circumstances

Bulk transfers from the Fund to Non-LGPS funds

Bulk transfers of active scheme members from LGPS employers to approved non-LGPS schemes typically involve the outsourcing of services to a private sector employer with its own approved scheme under a transfer of undertakings (TUPE) or from the reorganisation of central government services (such as the merger of certain government agencies) where the active scheme members transfer to another public service scheme (e.g. NHS, PCSPS etc.).

Regulation 98 of the Local Government Pension Scheme Regulations 2013 ("The Regulations") governs the bulk transfer of members' pension liabilities out of the LGPS to an approved non-LGPS pension arrangement.

Regulation 98 allows for the payment of a bulk transfer value where at least two active members of the LGPS cease scheme membership and join another approved pension arrangement. The transferring and receiving schemes and the employer must agree that a bulk transfer will be made. If there is no agreement then our understanding is that the standard cash equivalent transfer basis would apply if the active scheme member elected to transfer his or her accrued rights.

The 2003 ODPM Code of Practice on Workforce matters requires that the new employer's pension scheme allows the employees transferring their accrued rights from the LGPS to do so on a fully protected basis. Our interpretation is that this refers to protection of the benefits (i.e. value of service credits) not the amount of the bulk transfer since no reference is made to the bulk transfer payment having to reflect that fully protected basis.

For any bulk transfer the Fund's administrators must also obtain members' consent to be part of the bulk transfer.

The Regulations give the Fund's actuary discretion as to the calculation of the bulk transfer value. This means that, when paying bulk transfers from the Fund to a non-local-government scheme, it is possible for the calculation to be structured so as to minimise the risk of the transfer value exceeding the share of the Fund assets attributable to the transferring liabilities[1].

Bulk transfers between LGPS funds within England and Wales: Changes in the Fund

Transfers of membership between different LGPS funds commonly occur when employers within one council area expand into or merge with employers in another council area and/or LGPS fund.

Regulation 103 of The Regulations governs the bulk transfer of members' pension liabilities between funds within England & Wales. Regulation 86 requires a bulk transfer to be agreed between the actuaries to the transferring and receiving scheme where 10 or more members are affected by virtue of a single event.

The Regulations require the actuaries to each fund to agree on the amount of the

[1] It is not possible to completely eliminate this risk, for example because the transfer value will be adjusted between the transfer date and the payment date and Northamptonshire Pension Fund returns may not be available for the full period.

bulk transfer payment to be made. If agreement is not reached within 12 months then the matter may be referred to a third actuary chosen by the two actuaries or, if they cannot agree, to an actuary chosen by the President of the Faculty and Institute of Actuaries and his decision will be final.

The active scheme member will be credited with the same period of service in the new fund as he or she had accrued in the Fund so there is no discretion to award anything other than day-for-day service credits.

Bulk Transfers between employers in Fund

Bulk transfers between employers within the Fund may be relatively common. An example of this type of transfer is where a unitary authority transfers control of certain services to another body and the transferring active scheme members are eligible to remain in the Fund. These types of transfers can be broken into two different categories:

- The transferring active scheme members join a new employer in the Fund (e.g. a transferee admission body, community admission body, or even a new scheduled body); or
- The transferring active scheme members join an existing Fund employer.

There are no specific references in the Regulations to the allocation of assets for these types of scenario or any other guidance relating to such transfers. Obviously the ODPM Code of Practice on Workforce Matters and the Fair Deal guidance applies to transfers from local authorities to private contractors within the same fund.

Transfers in

Bulk transfers into the LGPS can occur for a number of reasons including a national restructuring resulting in the admission of an employer whose employees have LGPS service in another LGPS fund, where there is a reorganisation of central government operations (transfers in from other government sponsored schemes) or where an outsourced contract ceases and active scheme members (re)join the LGPS from a broadly comparable scheme.

Unlike bulk transfers out of the LGPS, there is no specific provision to allow for bulk transfers into the LGPS. As a result, any service in respect of a transfer value received into the LGPS, whether on the voluntary movement of an individual or the compulsory transfer of a number of employees, must be calculated the same way as individual transfers.

NORTHAMPTONSHIRE PENSION FUND

LOCAL PENSION BOARD

21 January 2016

Report by: THE HEAD OF PENSIONS

Subject:	**Statement of Investment Principles**
Purpose of the Report	To present the Statement of Investment Principles July 2015 to the Pension Fund Board
Recommendations	**The Pension Fund Board are asked to review the Statement of Investment Principles July 2015 and make recommendations to the Pension Committee where appropriate.**
Enquiries to:	Jo Walton – LGSS Pensions Governance and Regulations Manager Tel: 01604 367030 E-mail: jwalton@northamptonshire.gov.uk

1. Background

1.1 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 requires every administering authority to prepare, maintain and publish a written statement of the principles governing its decisions about the investment of Fund money, the Statement of Investment Principles (SIP).

1.2 The Regulations also prescribe the polices that need to be disclosed in the SIP and the obligation to review, and if necessary, revise, the SIP from time to time and within six months of any material change in the policies.

1.3 The SIP is also required to be published in full in the Fund's Annual Report and Statement of Accounts under the guidance published by CIPFA for the purposes of the Local Government Pension Scheme (Administration) Regulations 2008 and the Local Government Pension Scheme Regulations 2013.

2. Review of the Statement of Investment Principles

2.1 The SIP has been reviewed twice during 2015.

2.2 The SIP was first reviewed, updated and approved by the Pension Committee (previously referred to as the Pension Board) on 23 March 2015 following a recommendation for approval made by the Investment Sub-Committee on the 23 February 2015.

2.3 The amendments made to the previous version of the SIP which was effective from July 2013 were as follows;

Section amended	Detail
Section D: Balance between different types of investment	The inclusion of the acceptable variation of tolerances around the strategic asset allocation for each class of asset (as required by auditors).
Section E: Responsible Investment Policy	Reflects recent recommendations by the Law Commission on the duties of pension funds' trustees when setting investment strategies with regard to Responsible Investment. This replaces previous language referring to (unspecified) legal rulings.
Appendix C: Key risks and controls	This section has been rationalised to remove risks pertinent to liabilities or the scheme as a whole and not investments.
Appendix E: Compliance with the Myners Principles	New appendix added in line with recent guidance.

2.4 The SIP was reviewed, updated and approved by the Pension Committee again on 31 July 2015 incorporating the following changes;

Section amended	Detail
Appendix A: Fund Managers and Mandates **Appendix B:** Performance Targets:	Amended to reflect the revised asset and manager allocation following the termination of the Wellington Sterling Core Bond Plus mandate and the investment in UBS Life Over 5 Year Index Linked Gilt Tracker Fund.

2.5 At the Pension Committee meeting of 31 July 2015, a recommendation was put forward and agreed that the Head of Pensions may, in future, agree minor administrative changes to the Statement of Investment Principles as and when required and notify the Pension Committee of the changes made.

2.6 The Statement of Investment Principles July 2015 is attached in Appendix 1 which the Pension Fund Board is asked to review and provide any comments for the Pension Committee to consider.

3. Relevant Pension Fund Objectives

Perspective	Outcome
Governance	• To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies. • Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.

Perspective	Outcome
Funding and Investment	• To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions. • To ensure that sufficient resources are available to meet all liabilities as they fall due. • To maximise the returns from its investments within reasonable risk parameters.

4. Finance & Resources Implications

4.1 Not applicable.

5. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There are no risks associated with this report.		

b) Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
There are no risks associated with this report.	

6. Communication Implications

6.1 Not applicable.

7. Legal Implications

7.1 Not applicable.

8. Consultation with Key Advisers

8.1 Not applicable.

9. Alternative Options Considered

9.1 Not applicable

10. Background Papers

10.1 Not applicable

11. Appendices

Appendix 1: Statement of Investment Principles – July 2015

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Director of Finance/Section 151 Officer?	Not applicable
Has this report been cleared by Head of Pensions?	Mark Whitby – 04/01/2016
Has this report been cleared by Legal Services?	Not applicable

NORTHAMPTONSHIRE LOCAL GOVERNMENT PENSION SCHEME

Statement of Investment Principles

July 2015

Statement of Investment Principles

Contents

A. Introduction

A.1 The Pension Committee (PC) of the Northamptonshire Local Government Pension Scheme acting with the delegated authority of the Northamptonshire County Council (the Administering Authority) has approved this Statement of Investment Principles (SIP) in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. This statement is available to the public on the Fund's website at: http://pensions.northamptonshire.gov.uk/index.php/governance2/key-documents-for-the-northamptonshire-fund/ . This document supersedes all previous versions of the SIP.

A.2 This Statement of Investment Principles (SIP) must cover the Fund's policy on:-

a) the types of investment to be held;
b) the balance between different types of investments;
c) risk, including the ways in which risks are to be measured and managed;
d) the expected return on investments;
e) the realisation of investments;
f) the extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments;
g) the exercise of the rights (including voting rights) attaching to investments, if the authority has any such policy; and
h) stock lending.

A.3 The SIP must be reviewed and if necessary, revised, by the Administering Authority from time to time and, in the case of any material change in the authority's policies or breach of compliance, within six months of such change. To meet this requirement the PC reviews the SIP annually.

A.4 The SIP has been prepared taking into account the most recent actuarial valuation and the Funding Strategy Statement (FSS).

B. Compliance Statement

B.1.1 The SIP is required to state the extent to which the Administering Authority is compliant with the Guidance given by the Secretary of State and also the extent the authority does not comply and if so the reasons for non compliance.

B.1.2 The table below sets out the requirements of the contents of the SIP, and the section within the SIP evidences this. This document therefore demonstrates that the Fund is currently Fully Compliant with all its requirements under the Regulations.

Document Ref	Requirement ***That the SIP covers statements on:***	Compliance Status
D2	The types of investment to be held	Fully Compliant
D3	The balance between different types of investments	Fully Compliant
D4, Appendix C	Risk, including the ways in which risks are to be measured and managed	Fully Compliant
D5	The realisation of investments	Fully Compliant
D6	The expected return on investments	Fully Compliant
D7	Stock Lending	Fully Compliant
Section E, Appendices D & E	The extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments	Fully Compliant
Section E, Appendices D & E	The exercise of the rights (including voting rights) attaching to investments, if the authority has any such policy	Fully Compliant

C. Funding objectives

C.1 Funding objective

C.1.1 The primary objective of the Fund is to achieve a funding level of 100% over the long-term (on a prudent basis) whilst ensuring that there are sufficient resources available to pay pensions and other benefits as and when they fall due. These payments will be met by contributions or asset returns and income. To the extent that the accumulated assets fall short, then higher cash contributions are required from employers, and vice versa.

C.1.2 The Fund is subject to an actuarial review every three years, in preparation for which the Fund, in conjunction with the Fund's Actuary and taking investment advice, prepares a Funding Strategy Statement (FSS) that sets out the strategy to ensure the long-term solvency of the Fund whilst recognising the need for a minimum (where possible and subject to a level of prudence) and, stable level of employer contributions. The FSS is published on the Fund's website at: http://pensions.northamptonshire.gov.uk/index.php/governance2/key-documents-for-the-northamptonshire-fund/ .

D. Investment Principles

D.1 Investment Policy

D.1.1 The investment objectives are to maximise investment returns over the long term within specified reasonable risk tolerances. Investment returns are defined as the overall rates of return (capital growth and income combined).

D.1.2 The investment style is to appoint suitable expert fund managers with a clear performance benchmark and place maximum accountability for performance against that benchmark on the fund manager.

D.2 Types of Investment to be held

D.2.1 In accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, the acceptable types of investment which the fund managers may hold include:

- Equities
- Fixed Interest Bonds
- Index linked instruments
- Property Unit Trusts
- Hedge Fund of Funds
- Private Equity Fund of Funds
- Alternatives Investments such as Infrastructure, Futures, Derivatives and Commodities
- Cash Instruments
- Relevant Insurance Instruments

D.3 Balance between different types of investment

D.3.1 The PC reviews the allocation over the different types of investment formally as part of the triennial funding valuation; however reviews can occur more frequently should material issues arise.

D.3.2 Following the strategic review and allocation of investment types, the Fund will review and if necessary change, its mix of external fund managers to efficiently deliver the Fund’s investment portfolio.

D.3.3 The Fund holds assets across a range of products and managers in order to diversify the investment manager risk, and currently has eleven investment mandates with seven fund managers. Each will have an agreement in place that sets out the relevant benchmark against which performance will be measured, a performance target and any constraints and parameters within which the manager must operate. Appendix A and B show the detailed breakdown of managers and mandates as at the date of this report.

D.3.4 Over time the actual asset allocation will deviate from the strategic percentage allocation due to the differential relative performance of each investment type. The Fund’s Investment Sub Committee has agreed that the actual value of each major investment type can vary within the following tolerances:

	Allowable variation compared to the total value of the Fund
Equities	+/- 5%
Bonds	+/- 3%
Alternatives	No formal range due to liquidity constraints

Asset balances are rebalanced within these tolerances and the ISC review the actual asset allocation compared to the strategic target allocation each quarter.

D.3.5 The Administering Authority believes the current strategic asset allocation and blend of fund managers, provides a strong diversification, specialisation and spread of risk for the investments of the Fund's assets.

D.4 Investment Risk

D.4.1 Managers are monitored relative to their long term return targets and stated risk levels. Care is also taken to understand the circumstances under which managers are expected to perform well and the converse, with the aim of avoiding short term decision making. The appointment of more than one fund manager introduces a level of diversification of manager risk and style.

D.4.2 Fund managers are expected to exhibit a diversified portfolio within their strategy remit and demonstrate that risks are sufficiently controlled and the potential for losses is reduced. The nature and extent of risks arising from financial instruments is disclosed in the Pension Fund Statement of Accounts each year.
Fund managers are also instructed to observe the Fund's restrictions in investments as set out in the Investment Regulations 2009.

D.4.3 Fund managers will bias their portfolios towards stocks which are expected to out-perform in rising or falling markets, but not take such contrarian positions that major under-performance occurs if they are incorrect in their strategies. They are required to operate in such a way that the possibility of under-performance against the long term target is kept within an acceptable limit. Fund managers will use and report on the risk measures employed on a regular basis.

D.5 The realisation of investments

D.5.1 Some fund managers are required to maintain portfolios that consist of assets that are readily realisable. The majority of the Fund's investments are quoted on major stock markets and thus may be realised relatively quickly if required.

D.5.2 The PC has delegated to the fund managers responsibility for the selection, retention and realisation of assets.

D.6 Expected return on investments

D.6.1 The Fund is expected to produce a return over the long term in excess of the investment return assumed in the actuarial valuation. The majority of the Fund's assets are managed on an active basis and, overall, the Fund is expected to out-perform its benchmarks over the long term.

D.6.2 At the last actuarial valuation, an excess return of 1.6% p.a. over gilts was assumed for the Fund's assets. The Fund monitors investment return against the valuation assumptions, through quarterly performance monitoring from WM Company (the Fund's performance reporter) and meeting with managers at quarterly ISC and Interim meetings to discuss performance relative to their benchmark and longer term objectives. Additionally WM Company and the Fund's Investment Consultant, Mercer Limited, report on fund performance and manager prospects annually at the PC and ISC.

D.7 Stock Lending

D.7.1 The Fund actively engages in Stock Lending as permitted by the LGPS regulations through the Fund's custodian with a formal agreement in place and approved collateral to protect the Fund's assets. Lending is limited to 35% of the stock held by the Fund, although actual activity in 2013-14 averaged 7.5% and in 2012-13 9.2%.

D.8 Operational Risk

D.8.1 The overall risk for any Pension Scheme is that its assets will be insufficient to meet its liabilities. The risk is negligible for Local Authority Funds as they are open to future accrual and new members and the overall covenant of the major employers is generally strong..

D.8.2 In terms of specific investment risk, the Northamptonshire Pension Fund is managed in a way that is designed to control and mitigate against this.

D.8.3 Further Asset Liability Studies will be undertaken to help the PC and ISC determine, from time to time, appropriate asset allocation ranges. The aim of these is to ensure that the Fund's assets are prudently spread across different asset types and markets, whilst maintaining the required level of expected return. The asset allocation will be formally reviewed following the triennial valuation, and at other times as required.

D.8.4 The Fund will normally hold a large proportion of its assets in equities, which although they don't match the liabilities, are expected to give a long term return in excess of gilts and so will help recover the deficit and keep future contributions low. There is a risk associated with this view and so the Fund also invests in a range of diversified assets and is looking to build up a level of protection against high inflation (which along with interest rates is the biggest risk in relation to the deficit increasing)..

D.8.5 The performance of the Fund's Custodian and associated activities of the Investment Managers will be reviewed annually. The aim of this is to:

- Gain feedback on the quality of services from the existing providers and comparisons with alternative providers.
- Provide transparency and openness with regard to the investment operations of the Fund and the related fees and costs.

E. Responsible Investment Policy

E.1. Responsible Investment – Position, Definition and Beliefs

E.1.1 The Fund is a long-term investor, with a commitment to responsible investment (RI). The Fund defines "responsible investment" as the "integration of environmental, social and corporate governance (ESG) considerations into investment management processes and ownership practices.

E.1.2 The Fund recognises that effective management of ESG issues can enhance long-term financial performance of investments, and therefore ESG factors should be a feature of investment analysis and management. This aligns with the best interests of the Fund's beneficiaries and is consistent with fiduciary duty.

E.1.3 With regard to RI, the Fund is mindful of recent Law Commission recommendations on pension trustees' duties when setting an investment strategy which state that:

E.1.3.1 Trustees should take into account factors which are financially material to the performance of an investment. Where trustees think ethical or environmental, social or governance (ESG) issues are financially material they should take them into account.

E.1.3.2 Whilst the pursuit of a financial return should be the predominant concern of pension trustees, the law is sufficiently flexible to allow other, subordinate, concerns to be taken into account. The law permits trustees to make investment decisions that are based on non-financial factors, provided that:

(a) they have good reason to think that scheme members share the concern; and

(b) the decision does not involve a risk of significant financial detriment to the fund.

E.2. Scope

E.2.1 This RI Policy covers the Fund's activities as an asset owner, specifically the decisions and activities that we undertake as we manage the Fund's assets and liabilities.

E.2.2 The Fund's assets are managed by third-party investment managers. Monitoring how the investment managers are meeting the Fund's expectations set out in this policy is therefore a major part of how we meet our objectives in this area.

E.3. Governance of the RI Policy

E.3.1 The Fund's PC is responsible for the development, implementation and monitoring of this policy. The PC is also responsible for reviewing and, if necessary, updating this policy on an annual basis.

E.3.2 The PC has delegated responsibility for monitoring the Fund's investment managers to the Fund's ISC. The ISC is responsible for monitoring the RI activities of the Fund's investment managers and for reporting on the Fund's RI activities to members.

E.3.3 RI reporting will focus on areas such as the development of the Fund's manager monitoring activities, including their voting and engagement activities.

E.4. Engagement – encouraging ESG best practice

E.4.1 The Fund's objective in addressing RI and related issues is to use its influence to encourage ESG best practice by its investment managers. All managers have statements which detail the principles by which they invest in and engage with companies.

E.4.2 The Fund supports the UK Stewardship Code and expects the Fund's investment managers to comply with the UK Stewardship Code. In Appendix D, the Fund has issued a Statement of Commitment to the UK Stewardship Code highlighting how the Fund is discharging its stewardship responsibilities.

E.4.3 The Fund will exercise its ownership responsibilities by:

- Ensuring that all investment management agreements clearly set out the Fund's expectations regarding the consideration of ESG issues.
    - Managers should have a clear process for integrating ESG considerations into investment decision-making processes.
    - Managers will be expected to adhere to all relevant stewardship guidelines (e.g. the UK Stewardship Code) on a comply or explain basis.
- Monitoring the Fund's investment managers annually to determine the extent to which our expectations are being met.
    - Where portfolio companies fail to meet certain minimum ESG standards, investment managers must explain what steps are being taken to bring them up to the minimum level.
    - Managers will report regularly (at least annually) and in detail to the ISC on how they are meeting or addressing the Fund's ESG requirements.

E.5. Collaborative engagement

E.5.1 At times the Fund finds it more effective to work in collaboration with other investors to achieve its aims. For example, the Fund is a member of the Local Authority Pension Fund Forum (LAPFF). This initiative enables the Fund to work with other investors to understand the impacts of ESG considerations on financial performance.

E.6. Corporate Governance and Proxy Voting

E.6.1 The Fund has used best practice standards to develop a view on the most important high-level governance issues. With respect to investments in the UK, we expect the managers to have due regard to the UK Corporate Governance Code. With respect to overseas investments, we expect the managers to have due regard to relevant recognised standards, including the ICGN's [International Corporate Governance Network] Global Governance Principles and Securities Lending Code of Best Practice as well as the OECD [Organisation for Economic Co-operation and Development] Corporate Governance Guidelines.

E.6.2 These principles are as follows:

- **Effective Committees**: An effective Committee of directors is essential to the long-term success of a company. The Committee provides strategic guidance to as well as oversight of the executive directors on behalf of shareholders. The Committee should also consider the interests of company stakeholders including employees, suppliers, customers, the environment and society. To do this requires sufficient independence from the executives as well as the right mix of skills, competence and experience.
- **Accountability & Risk Management**: The Committee must at all times be conscious of its accountability to shareholders. It is responsible for determining the nature and extent of any significant risks taken on by the company in the pursuit of its strategic objectives. Risk management should be dynamic and comprehensive, considering operational, reputational and ESG risks in addition to financial risks.
- **Shareholder Rights**: Shareholders should be encouraged to participate in supporting good governance – voting rights should be equal across all shareholders; the exercise of voting rights should not be subject to unnecessary hurdles; directors should engage shareholders to explain voting issues where necessary; shareholders should have a say on major decisions (e.g. approving executive remuneration and major share issuance, nominating and appointing directors and external auditors etc.).
- **Shareholder responsibilities**: Shareholders should remain conscious of their duties to beneficiaries at all times including when considering corporate governance and other ESG issues. This can be achieved by considering ESG issues when assessing the risk of portfolio companies; exercising voting rights actively and intelligently and by collaborating with other investors. Beneficial owners should also aim to integrate ESG criteria into investment management mandates where appropriate.

- **Remuneration**: Remuneration policies should reinforce (rather than undermine) company culture. The Committee should use remuneration policies to align the interests of executives and shareholders, incentivising behaviour that encourages long-term financial health and promotes sound risk management. Significant aspects of remuneration policy should be developed through formal and transparent processes and be adequately disclosed to and approved by shareholders.
- **Transparency**: The Committee should ensure that shareholders receive accurate, relevant and timely information regarding financial, strategic, operational, and ESG issues. Accounting, governance, remuneration and wider corporate responsibility policies should be clearly disclosed and come with a statement of support by the Committee.
- **Stock lending**: Prior to engaging in a programme of stock lending beneficial owners should consider the risks inherent in this activity.

E.6.3 The Fund's investment managers exercise voting rights and undertake engagement in accordance with their own corporate governance policies, including escalation procedures to protect investment value. Each manager's policy is expected to be provided to the Fund and is reviewed by the ISC as part of the Fund's manager monitoring processes.

E.6.4 The Fund expects its investment managers to demonstrate adherence to the above principles in the proxy voting decisions undertaken in relation to the Fund's assets. The PC will capture the extent to which this has happened through the Fund's manager monitoring process.

E.6.5 The Fund expects that its delegated investment managers will:

- Vote all shares (for listed equity assets) without exception unless a valid reason is provided as to why not (such as share blocking)
- Not undertake stock-lending to any third party without the prior agreement of the Fund.

E.7. Manager Monitoring

E.7.1 Manager monitoring is a key element of the Fund's RI strategy. The PC monitors the progress of its investment managers regarding the integration of ESG issues into their investment decision-making processes.

E.7.2 The Fund's monitoring process will look for evidence of positive momentum towards its ESG expectations by:

- Developing a formal but straightforward system of monitoring our investment managers based on the Fund's ESG expectations
- Using this system to keep track of progress
- Using information obtained from this monitoring process to demonstrate progress to the Fund's members via reporting on the Fund's website.

E.7.3 The Fund's manager monitoring process for the integration of ESG covers all asset classes.

E.8. Negative screening/investment exclusions

E.8.1 The Fund adopts the view that it should seek out investment opportunities on the basis that they meet the needs of its long-term investment strategy and the nature of its liabilities.

E.8.2 In line with this policy and the Fund's commitments to responsible investment, the Fund recognises that it must do this whilst considering ESG issues whenever they are relevant

E.8.3 The Fund has adopted a policy of engagement rather than exclusion.

E.8.4 The PC will continue to review the Fund's position on exclusions on an annual basis.

E.9. Compliance with the Myners Principles

E.9.1 In accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, the Fund's compliance with the Myners principles is set out in Appendix E.

Appendix A - Fund Managers and Mandates

Target Asset Allocation and Fund Specific Benchmarks February 2015

The table below shows the Fund's asset allocation together with the specific benchmarks (indices) against which to measure investment performance.

UK Equity		**23.0%**	
Majedie	11.5%		FTSE All-Share index
UBS	11.5%		FTSE All-Share index
Global Equity		**41.0%**	
UBS	20.7%		FTSE All World (inc EM)* Passive
Newton	15.3%		MSCI World AC
Skagen	5.0%		Benchmark agnostic (but MSCI World AC is used as a guide for performance monitoring purposes)
Fixed Income		**20.0%**	
UBS	10.0%		FTSE Actuaries Government Securities Index-Linked over 5 year index
Wellington Global Total Return	5.0%		BofA Merrill Lynch T-Bill Index + 5%
Wellington Global Strategic Credit	5.0%		No specific benchmark (but Barclays Global Aggregate Credit 1-5y GBP Hedged Index is used for performance monitoring purposes)
Property		**8.0%**	
CBRE	8.0%		IPD All Balanced Funds Index
Diversified Growth Fund		**8.0%**	
Baillie Gifford	8.0%		UK base rate + 3.5%
		100.0%	

Appendix B – Performance Targets

The Managers appointed to the Fund and their individual performance targets over the benchmark indices above [over a rolling three year period] are:

Investment Manager	Asset Class	Performance Target above benchmark
Majedie	UK Equities	2%
UBS	UK Equity	2%
UBS	Passive Global Equities	0%
Newton	Global Equities	2%
Skagen	Global Equities	n/a (assumed 3% as guide)
UBS	Passive Fixed Interest	n/a
Wellington	Global Strategic Credit	n/a
	Global Total Return	n/a
Baillie Gifford	Diversified Growth	0%
CBRE	Property	1%
Overall Fund Target – the overall performance target is calculated taking into account the weightings for each manager		**1.6%**

Appendix C - Key Risks and Controls

Risk	Summary of Controls	Risk Index 1: Low...5:High
KEY RISKS AND CONTROLS		
Inappropriate long-term investment strategy.	• Set Fund-specific benchmark, informed by Asset-Liability modelling of liabilities.	3
Inappropriate investment decisions are made due to inaccurate or unreliable data, insufficiently trained or competent members to make decisions or inappropriate advice.	• Performance measurement is produced by the Fund's external providers and reviewed by Officers. • Market data, such as the performance record of alternative Fund Managers is sourced by the investment consultants from their proprietary database. • Members participate in a Skills & Knowledge programme that is refreshed regularly. • Only reputable professional advisers are employed following a rigorous procurement process. • The Fund has appointed an Independent Investment Adviser to provide an additional level of review and challenge to investment decisions.	3
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities over the long-term.	• Only anticipate long-term return on a relatively prudent basis to reduce the risk of under-performing. • Analyse progress at three yearly valuations for all employers. • Inter-valuation monitoring of investment performance.	5
Fall in risk-free returns on government bonds, leading to a rise in the value placed on liabilities.	• Inter-valuation monitoring of investment performance. • Asset Allocation reviews	3
Active investment manager under performance relative to benchmark over the medium term.	• Quarterly monitoring of market performance and active managers' performance relative to their benchmark and longer term objectives.	3

Pay and price inflation significantly more than anticipated.	• The focus of the actuarial valuation process is on the real return on assets, net of price and pay increases. • Inter valuation monitoring provides early warning. • Some investment in index-linked bonds helps to mitigate this risk.	3

Appendix D - Statement of Commitment to the UK Stewardship Code

The Northamptonshire Local Government Pension Scheme (the “Fund”) believes that good stewardship can enhance long-term portfolio performance, and is therefore in the best interests of the Fund’s beneficiaries and aligned with fiduciary duty. Therefore, the Fund supports the principles of the UK Stewardship Code (the “Code”).

The Fund believes that Environmental, Social and Corporate Governance (“ESG”) issues can affect the performance of investment portfolios and are therefore considered as part of the Fund’s investment process.

Principle	Evidence of compliance
Principle 1 – Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.	The Fund has given its managers full discretion when evaluating ESG issues and in exercising rights and stewardship obligations relating to the Fund’s investments. This policy is outlined in the Fund’s Responsible Investment Policy in section D.3 of the SIP, which is publicly available and is reviewed on an annual basis. The Fund supports the UK Stewardship Code and expects the Fund’s investment managers to comply with the UK Stewardship Code. The Fund monitors the investment managers in this regard on an annual basis.
Principle 2 – Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed	The Fund encourages the investment managers to adopt effective policies addressing potential conflicts of interest with regards to stewardship activities. The Fund monitors the investment managers in this regard. The Funds’ overriding obligation is to act in the best financial interests of the members. Our policy of constructive engagement with companies is consistent with the Funds’ fiduciary responsibilities.
Principle 3 – Institutional investors should monitor their investee companies	The Fund has delegated responsibility of the management of its equity holdings to investment managers and monitoring investee companies is part of this responsibility. The Fund encourages investment managers to monitor companies, intervene where necessary and report back regularly on activity undertaken. The Fund undertakes regular monitoring of the activities of the investment managers.

Principle	Evidence of compliance
Principle 4 – Institutional investors should establish clear guidelines on when and how they will escalate their Stewardship activities	Responsibility for stewardship activities is delegated to the Fund's investment managers. As highlighted above, responsibility for day-to-day interaction with companies is delegated, including the escalation of engagement when necessary and the Fund monitors the investment managers in this regard. We expect the approach to engagement on our behalf to be value orientated and focussed on long term profitability. We expect the Fund's investment managers to disclose their guidelines for such activities in their own statements of commitment to the Code.
Principle 5 – Institutional investors should be willing to act collectively with other investors where appropriate	The Fund is willing to work collaboratively with other investors, where appropriate, to enhance the influence that it has on individual companies. The Fund is a member of the Local Authority Pension Fund Forum ("LAPFF"), which engages with companies over ESG issues on behalf of its members.
Principle 6 – Institutional investors should have a clear policy on voting and disclosure of voting activity	The Fund's investment managers exercise voting rights and undertake engagement in accordance with their own corporate governance policies, including escalation procedures to protect investment value. Each manager's policy is expected to be provided to the Fund and is reviewed as part of the Fund's manager monitoring processes. The Fund expects its delegated investment managers to vote on all shares held (without exception unless a valid reason is provided as to why not (such as share blocking)). Reporting on voting and engagement activities is provided to the Fund on a regular basis and the Fund monitors the investment managers in this regard.
Principle 7 – Institutional investors should report periodically on their stewardship and voting activities	The Fund expects the investment managers to report regularly on their stewardship and voting activities. In addition, the Fund encourages the investment managers to consider and report the impact of engagement activity. The Fund reports annually on stewardship activity through a specific section on Responsible Investment in the Funds' annual report and accounts.

Appendix E - Compliance with the Principles of Good Investment Practice ("the Myners Principles")

The Myners Principles are a set of principles for good investment governance, originally created in 2001 and subsequently updated in 2008. Local government pension funds are required to produce a statement in their annual report regarding compliance with these Principles on a 'comply or explain' basis. The Myners Principles are:

Principle	Evidence of compliance
Effective Decision Making Administering authorities should ensure that: • Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and • Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.	The Pension Committee meets on a quarterly basis and is the main committee for the Fund addressing strategic and policy matters. • The Pension Committee is supported by the Investment Sub Committee - formed to specifically implement Investment and funding strategy. They consider the Fund's strategic asset allocation following the results of the triennial actuarial valuation. • The Investment Sub Committee has appointed suitably qualified investment managers to manage the investments of the Fund on their behalf. • The Fund takes advice from its appointed professional investment consultants who attend the quarterly Investment Sub Committee meetings. This is in addition to the advice received from the Fund's actuary. • A formal training programme, in accordance with the requirements of the CIPFA Knowledge and Skills Framework, has been implemented to support informed decision making. Compliance with the Fund's Skills and Knowledge Framework is reported in the Business Plan when appropriate.

Principle	Evidence of compliance
Clear Objectives • An overall investment objective(s) should be set for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers through employer contributions, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisors and investment managers.	• The overall Fund objective is directly linked to the risks and returns outlined in the Actuary's report, with the expected return on investments contained within the Statement of Investment Principles. • The Fund's strategic asset allocation is specifically designed to achieve the Fund objective. Specific asset allocation weightings are detailed in the Statement of Investment Principles. • In determining the Fund's asset allocation, the Pension Committee and Investment Sub Committee consider all asset classes in terms of their suitability and diversification benefits.
Risk and Liabilities • In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. • These include the implications for local taxpayers, the strength of the covenant for participating employers, the risk of their default and longevity risk.	• The overall risk for any pension scheme is that its assets will be insufficient to meet its liabilities. The risk is negligible for Local Authority Funds as these are assessed on an actuarial basis every 3 years (Fund Valuation) and contribution rates are adjusted to ensure solvency. • The Funding Strategy Statement specifically addresses employer issues. • The Fund is subject to actuarial review every three years. The Fund's position is based on the market values of the assets at the time of the review. The Fund's actuary calculates the contributions required from employing authorities to ensure the solvency of the Fund. • The Fund is managed in a way that is designed to control and mitigate against specific investment risk. • Further Asset Liability Studies will be undertaken to help the Pension Committee and Investment Sub Committee determine, from time to time, appropriate asset allocation ranges. The aim of these is to ensure that the Fund's assets are prudently spread across different asset types and markets. As the Fund's liabilities are based in sterling, the majority of the Fund's assets are likely to be sterling denominated. The asset allocation

Principle	Evidence of compliance
	will be formally reviewed following the triennial valuation, and at other times as required. • The Fund will normally hold a large proportion of its assets in equities, which are considered to be the most appropriate match with the Fund's liabilities. Over the long term, they should provide a hedge against inflation and grow in line with the underlying economy. To minimise the risks associated with this policy, a broadly based portfolio of stocks is held, spread across different countries and different industrial sectors.
Performance Assessment • Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors. • Administering Authorities should also periodically make a formal assessment of their own effectiveness as a decision making body and report on this to scheme members.	• The Fund monitors manager performance, through quarterly performance monitoring from WM Company (the Fund's performance reporter) and meeting with managers at quarterly Investment Sub Committee and interim manager review meetings to discuss performance relative to their benchmark and longer term objectives. Additionally WM Company and the Fund's Investment Consultant, Mercer Limited, report on Fund performance annually at the Pension Committee and Investment Sub Committee. • There is a regular review (at least biennially) of the effective working of the Pension Committee and Investment Sub Committee, the results of which are reported back to the Pension Committee.

Responsible Ownership
 	
Administering authorities should:
• adopt, or ensure their investment managers adopt the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents
• include a statement of their policy on responsible ownership in the Statement of
	• The Fund has a clear policy regarding Responsible Investment (section D of this document) and will exercise its ownership responsibilities by:
	  • Ensuring that all investment management agreements clearly set out the Fund's expectations regarding the consideration of ESG issues.
	  • Monitoring the Fund's investment managers annually to determine the extent to which our expectations are being met.
	• The Fund's investment managers exercise voting rights and undertake engagement in accordance with their own corporate governance policies, including escalation procedures to protect investment value. Each

Principle	Evidence of compliance
Investment Principles • report periodically to scheme members on the discharge of such responsibilities.	manager's policy is expected to be provided to the Fund and is reviewed by the ISC as part of the Fund's manager monitoring processes.
Transparency and Reporting Administering Authorities should: • Act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives. • Provide regular communication to scheme members in the form they consider most appropriate.	The following documents are published on the Pension Fund's website: • Pension Fund Annual Report and Statement of Accounts. • Statement of Investment Principles • Governance Policy & Compliance Statement • Funding Strategy Statement • Administration Strategy • Communications Strategy • Cash Management Strategy • Administering Authority Discretions • Actuary Valuation Report • Pension Committee and Investment Sub Committee Agendas and Minutes are available on the Northamptonshire County Council's website.