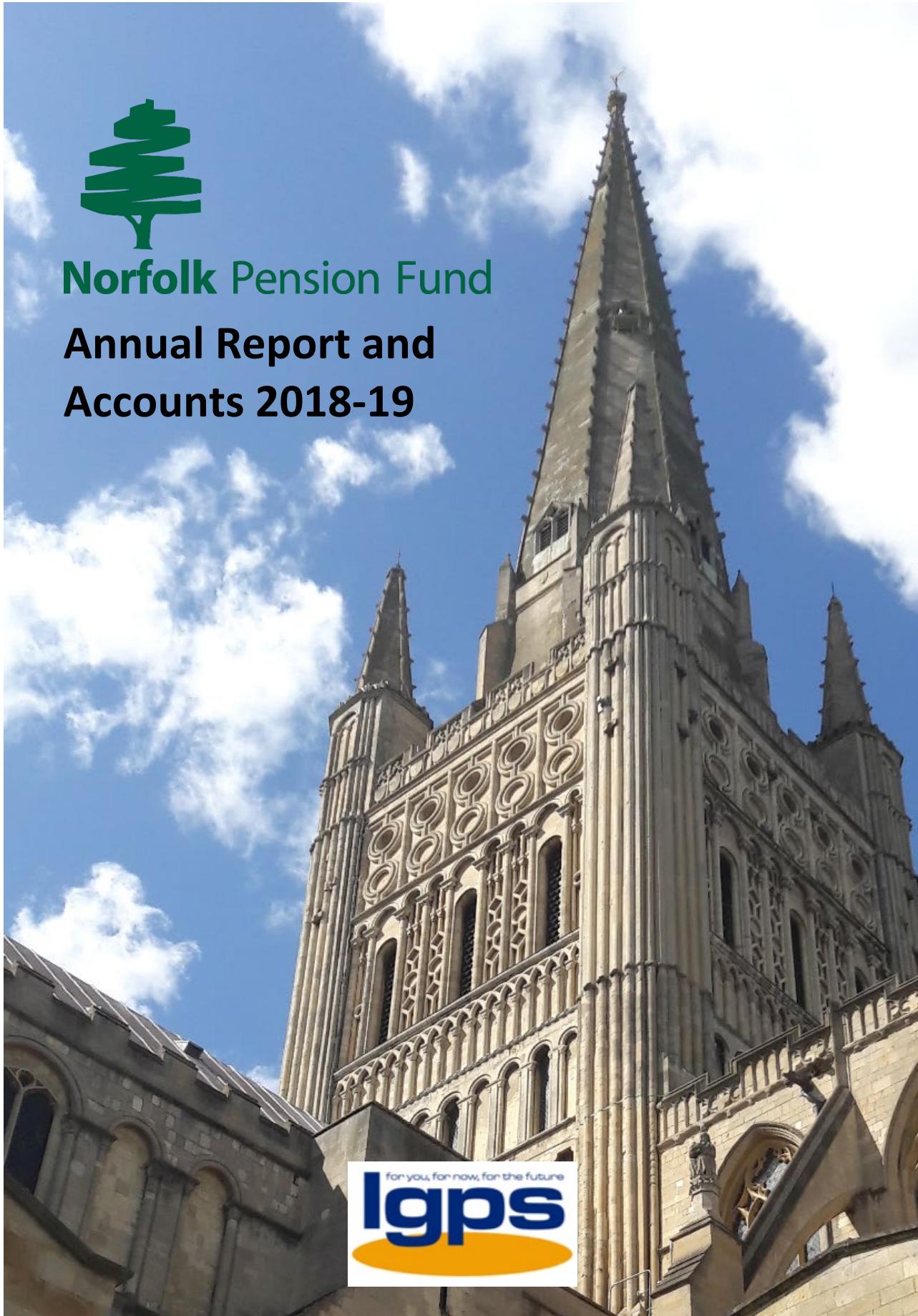




Norfolk Pension Fund

**Annual Report and
Accounts 2018-19**



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If you need this document in large print, audio, Braille, alternative format or in a different language please call 01603 222824 or email pensions@norfolk.gov.uk and we will do our best to help.

We have referred to several documents in this report that are available online.

If you are unable to access any of these documents, or would like a hard copy, please don't hesitate to contact us on 01603 222824 or email pensions@norfolk.gov.uk.

Introduction

As Chairman of the Norfolk Pension Fund Committee, and on behalf of my fellow committee members, I am pleased to introduce the 2018-19 annual report and accounts.

As today's stewards of the Local Government Pension Scheme and the Norfolk Pension Fund, my colleagues on Pensions Committee, the members of our Local Pension Board and the Fund Officers are very mindful of our responsibilities to all stakeholders – including the 92,000 scheme members, and 400+ active employers – and ensuring that the scheme is locally administered effectively and efficiently on their behalf.



Cllr Judy Oliver,
Chairman of the
Pensions Committee

We are also very conscious of our responsibilities as investors and are committed to demonstrating good corporate governance and responsibility via our investment strategy, which underpins our investment beliefs. We publish our voting record on our website and regularly monitor engagement at Pensions Committee. As signatories to the Carbon Disclosure Project and members of the Local Authority Pension Funds Forum, we also expect our investment managers to sign up to and comply with the Financial Reporting Council's Stewardship Code and the Scheme Advisory Boards' Transparency Code (which now incorporates the Cost Transparency Initiative templates).

Following several years of work, during 2018-19 judgement was reached in a US-based class action litigation, where the Fund has acted as an active lead plaintiff. Subject to completion of the court process this judgement will result in recoveries to all impacted investors including Norfolk, potentially up to \$100 million in total, further demonstrating our commitment to achieving value for money for our members and employers and to being an effective and responsible steward of the assets we are invested in.

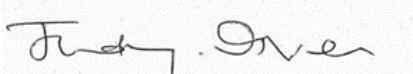
In the run up to a valuation year, the Fund's diversified investment portfolio has performed well, contributing to an increase in Fund assets of more than 5.8%. Together with other schemes, we will be considering the implications of the decision in the McCloud case to ensure our members continue to receive all that they are entitled to. We are also considering the potential impact of various government consultations, including Fair Deal and exit payment reforms, on our scheme members, employers and scheme administration.

As members of the ACCESS ('A Collaboration of Central, Eastern and Southern Shires') investment pool, ably Chaired by Councillor Andrew Reid, we have been pleased to begin the transition of assets into the pooled vehicle. We have also appreciated the support of our pool partners in responding to the Government's draft statutory guidance on investment, reflecting our common interest in ensuring that we maintain proper arrangements and structures so that we and other LGPS Funds can continue to discharge

our fiduciary obligations to beneficiaries and employers. The Norfolk Pension Fund also looks forward to continuing to positively contribute to the governance debate, to help inform the outcome and any recommendations.

As we look ahead our focus remains on supporting our members and employers as they make important and far reaching decisions. We are fortunate that we have a strong combination of experience, expertise and commitment to help steer the LGPS, the Fund and its stakeholders through these interesting times.

May I take this opportunity to record my sincere thanks to my colleagues on the Pensions Committee, to the Pensions Oversight Board, to our advisors for their commitment and support over the last year, and to our employers and, as always, to the Norfolk Pension Fund team.

A handwritten signature in black ink, appearing to read "Judy Oliver".

Cllr Judy Oliver
Chairman of the Pensions Committee

The Local Government Pension Scheme

The Local Government Pension Scheme (LGPS) is a statutory pension scheme.

This means that it is very secure as its benefits are defined and set out in law.

Under regulation 57 of The Local Government Pension Scheme Regulations 2013, all LGPS Funds are required to publish an Annual Report.

This document is the Annual Report of the Norfolk Pension Fund for 2018-19.

The LGPS in England and Wales

- The LGPS is one of the largest public-sector pension schemes in the UK with 5.8 million members in England and Wales as at end of March 2018
- It is a nationwide pension scheme for people working in local government or for other types of employer participating in the scheme
- The LGPS is administered locally by 88 regional pension funds – one of which is the Norfolk Pension Fund
- It is a funded scheme, which means that the fund income and assets are invested to meet future pension fund commitments
- Benefits are defined and related to members' salaries and years of service, so they are not dependant on investment performance
- The scheme is regulated by Parliament

The LGPS in England and Wales changed on 1 April 2014. It is now a 'Career Average' scheme for benefits built up from 1 April 2014. All benefits built up before this date are protected as 'Final Salary'. For more information visit www.norfolkpensionfund.org or www.lgpsmember.org.



Contact Us

General enquiries about this document:

Alex Younger
Pension Fund Investment & Actuarial
Services Manager

Tel:

01603 222995

Fax:

01603 228898

Email:

alexander.younger@norfolk.gov.uk

Or:

Robert Mayes
Pension Fund Accountant

Tel:

01603 222870

Fax:

01603 228898

Email:

robert.mayes@norfolk.gov.uk

Enquiries about pension benefits:

Norfolk Pension Fund

Tel:

01603 495923

Fax:

01603 495795

Email:

pensions@norfolk.gov.uk

Post:

Norfolk Pension Fund
Lawrence House
5 St Andrews Hill
Norwich
NR2 1AD

The Pension Administration Team offer dedicated helplines, operated by experienced staff. The team can help with all aspects of scheme membership and benefits for active, deferred and retired members.

General Enquiries:

01603 495923

Retired Members helpline:

01603 495788

Opening hours:

Monday to Friday, 8.45am – 5.30pm
(4.30pm on Friday)

Website:

www.norfolkpensionfund.org

Scheme Management and Advisers

Administering Authority:	Norfolk County Council (NCC) County Hall Martineau Lane Norwich NR1 2DW
Scheme Administrator:	Simon George, Executive Director of Finance and Commercial Services (NCC)
Norfolk Pension Fund Officers:	Nicola Mark, Head of the Norfolk Pension Fund Glenn Cossey, Chief Investment Manager Alex Younger, Pension Fund Investment & Actuarial Services Manager Mark Alexander, Pensions Manager
Asset Pooling:	Norfolk Pension Fund participates in ACCESS (A Collaboration of Central, Eastern and Southern Shires), an investment asset pool of eleven Administering Authorities under an Inter-Authority Agreement which facilitates joint working between the ACCESS authorities and a Joint Committee, made up of one elected councillor from each authority's Pensions Committee, which provides governance oversight.
	Link Fund Solutions Ltd acts as the regulated Operator for ACCESS.
Legal Advisors:	nplaw (Norfolk Public Law)
Fund Custodian:	HSBC
Fund Actuary:	Hymans Robertson LLP
Investment Advisor:	Hymans Robertson LLP
Fund Managers:	Aberdeen Standard Investments Baillie Gifford & Co Berenberg Bank Capital International Limited Equitix Fidelity Goldman Sachs Asset Management Goldman Sachs International HarbourVest Partners

Insight Investment Management
Janus Henderson Investors
La Salle Investment Management
Legal & General Investment Management
Link Asset Services
M&G Investments
UBS
Wellington International

Bankers: Barclays Bank

Fund Auditor: EY

Performance Measurement: BNP Paribas

AVC Providers: Clerical Medical
Prudential
Equitable Life (legacy only)

National Representation and Involvement

Our officers and elected Members on the Pensions Committee, work closely with the Department for Housing, Communities and Local Government (DHCLG) and The Pensions Regulator (TPR) (the scheme regulators), the Scheme Advisory Board (SAB) and the Local Government Pensions Committee (LGPC), to contribute to the development of the LGPS.

Councillor John Fuller (Norfolk Pension Fund Pensions Committee Member) and Nicola Mark (Head of the Norfolk Pension Fund) both sit on the Local Government Pensions Scheme Advisory Board, Councillor Fuller representing non-administering authorities and Nicola Mark as the elected practitioner representative. The Scheme Advisory Board advises the Secretary of State on LGPS matters.

Nicola Mark, Councillor John Fuller and Councillor Alan Waters are members of the Local Government Pensions Committee (LGPC).

Norfolk Pension Fund is represented at the Chartered Institute of Public Finance Accountants (CIPFA) Pensions Network and Benchmarking Group and Nicola Mark sits on the CIPFA Pensions Panel.

Norfolk Pension Fund is a member of the Pensions and Lifetime Savings Association (PLSA), which helps us contribute to the national pensions' debate. Nicola Mark is a Member of the PLSA Policy Board.

Norfolk Pension Fund is a member of the Local Authority Pension Fund Forum (LAPFF). The LAPFF was established to help local authority pension funds share information and ideas about how we can be responsible owners of the companies in which we invest and to present a clear, aligned voice on issues of common concern.

In her capacity as the elected Scheme Advisory Board (SAB) practitioner representative, Nicola Mark attends the Cross Pool Steering Group (CPSG) and Pippa Bestwick (National LGPS Frameworks Programme Director) represents the National LGPS Frameworks. This is a group representing the LGPS funds supporting the Government investment pooling initiative.

Nicola Mark is Chair of the Essex Pension Fund Advisory Board.

Along with other senior officers, Mark Alexander (Norfolk Pension Fund Pensions Manager), is a member of the South Eastern Counties Superannuation Officers Group (SECSOG). The group is made up of administering authorities in the region who meet to share information and best practice, ensuring uniform interpretation of the rules governing the scheme.

Norfolk Pension Fund actively engages with supplier forums, including the Heywood Administration CLASS (Computerised Local Authority Superannuation Scheme), Payroll system user groups and the Civica user group.

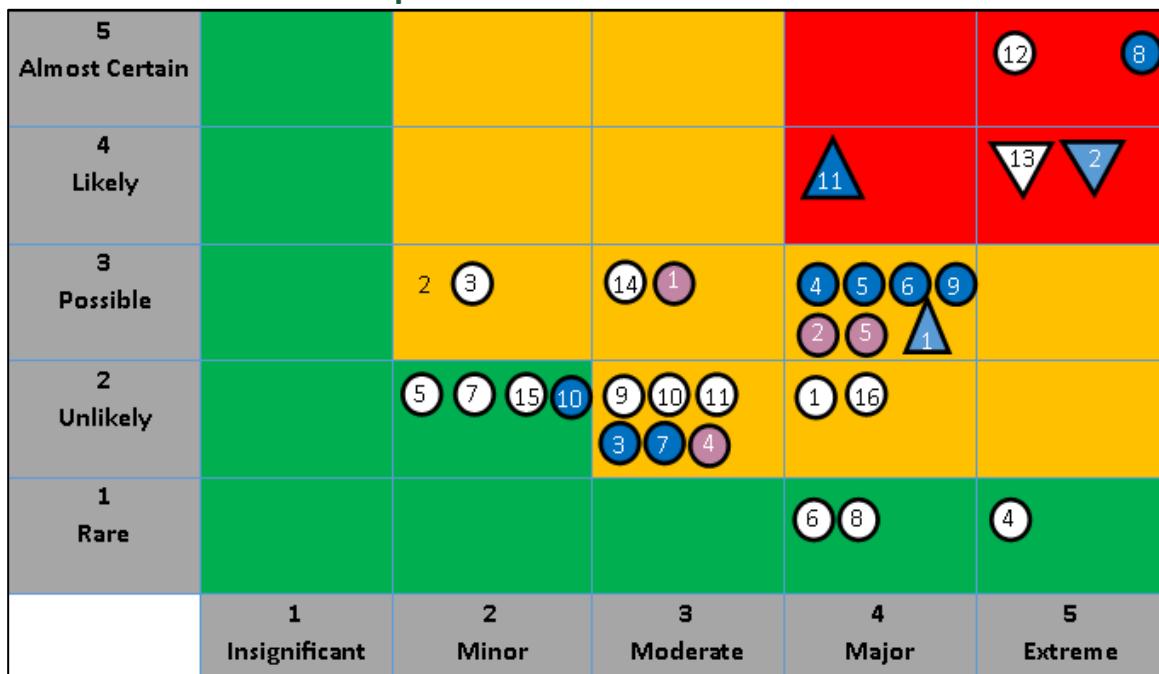
Norfolk Pension Fund officers sometimes attend and speak at seminars and conferences, with the purpose of continuing their professional development, maintaining knowledge levels and contributing to the development of the LGPS and the wider pensions industry.

Risk Management

Norfolk Pension Fund maintains a Risk Register and Business Continuity Plan which are regularly monitored and reviewed:

- The Fund's management team regularly review and update the Risk Register
- All risks are considered and monitored considering their likelihood and impact, with any mitigating action taken as necessary
- The Risk Register is also reviewed twice a year by the Pensions Committee
- Pension Fund Officers regularly monitor and review investment risk and performance
- The Pensions Committee reviews investment risk and performance quarterly and meets with investment managers at least once a year to discuss their performance
- Hymans Robertson LLP provide advice and support to both the Pensions Committee and Fund Officers
- A summary of the key risks and controls in place to mitigate investment risks are included in Appendix IX, our Funding Strategy Statement, which is also available on our website at www.norfolkpensionfund.org/governance/investment-and-stewardship
- Third party risks such as payments of contributions are robustly monitored. Assurance over third party operations is provided by obtaining and reviewing formal third party Internal Control reports prepared under the appropriate audit regime
- An on-going framework of inspection and review by the Fund's internal auditors (Norfolk Audit Services) and external auditors supports and assists with the management of risks
- Further information on the nature and extent of risks arising from financial instruments is detailed in note 18 of the Statement of Accounts that accompanies this report

Norfolk Pension Fund Risk Map



Becoming more of a risk

Risk is stable

Becoming less of a risk

	Governance (NPFG)	Funding & Investment (NPFF)	Benefits Administration (NPFA)
1	Regulatory and performance requirements failure	Financial mismatch	Failure to meet regulatory and performance requirements
2	Asset pooling (ACCESS) (Gov)	Concentration	Lack of skilled resource (LGPS)
3	Knowledge & understanding (O)	Manager underperformance	((Fire—removed))
4	Knowledge & understanding PC	Systemic risk	Business continuity (Admin)
5	Knowledge & understanding POB	Credit default - Counterparty failure	Employer and Employee on line services
6	Business continuity (Gov)	Illiquidity	
7	Communication	Default by participating employer	
8	Lack of skilled resource (Gov)	Poor advice	
9	National LGPS Frameworks	Changing demographics (Assumptions v Experience)	
10	Brexit	Business Continuity (F & Inv)	
11	Cyber Security	Communication	
12		Lack of skilled resource (F & Inv)	
13		Asset pooling (ACCESS) (F & Inv)	
14		Currency risk	
15		Environmental, Social & Governance (ESG)	
16		Custody, Stock Lending, Transition	

Internal Controls

Internal Control reports are reviewed on a rolling basis with any material issues reported to the Pensions Committee on an annual basis. Fund Managers marked with an asterisk submit only a part Internal Control report. Assurance for these managers is gained via a separate internal procedure.

Fund Manager	Report Type	Review completed
Aberdeen Standard Investments	AAF 01-06	Yes
Aviva (legacy manager)	ISAE3402/AAF 01-06	Yes
Baillie Gifford & Co	AAF 01-06	Yes
Berenberg Bank *	ISAE 3402 Type II	Yes
Capital International Limited	SSAE16/ ISAE3402	Yes
Equitix *	Internal Control report not produced	Yes
Fidelity	AAF 01-06	Yes
Goldman Sachs Asset Management	SSAE16/ ISAE3402	Yes
HarbourVest Partners	SSAE16/ ISAE3402	Yes
HSBC	ISAE3402	Yes
Insight Investment Management	SSAE16/ ISAE3402	Yes
Janus Henderson Investors	SSAE16/ ISAE3402	Yes
La Salle Investment Management	ISAE3402/AAF 01-06	Yes
Legal & General Investment Management	AAF 01-06	Yes
Link Asset Services	ISAE 3402 Type 1	Yes
M&G Investments	AAF 01-06	Yes
Sarasin (legacy manager)	AAF 01-06	Yes
UBS	SOC1	Yes
Wellington International	SSAE16/ ISAE3402	Yes

AAF – Audit and Assurance Framework

ISAE – International Standard on Assurance Engagements

SOC - Service Organisation Controls

SSAE - Statement on Standards for Attestation Engagements

Internal Audit Testing

The Pension Fund is subject to internal audit scrutiny.

The audit universe is set out in the audit plan which is reported to and agreed by Pensions Committee on an annual basis. All audits during 2018-19 received an “Acceptable” (Low priority Findings) opinion.

Audit Universe	Testing Frequency
Governance and Strategy	1 to 3 audits annually
Admin Processes and Systems	2 to 3 audits annually
Investment Management	1 to 2 audits every year
Receivables (incl. Employer and Employee contributions)	Audited every 2 years
Member benefit payments	Audited every 2 years.

Financial Performance

Revenue and Fund Account

The Norfolk Pension Fund prepares an Annual Budget which is reviewed and approved by the Pensions Committee and monitored by the Pension Fund Management Team. Details of the expenditure incurred during 2018-19 are provided in the Statement of Accounts section accompanying this report.

A summary budget and outturn for 2018-19 for Fund Administration, Oversight and Governance is shown below. The net underspend mainly relates to the Fund's project budget where the phasing of spend is variable and dependant on project timelines.

	Budget £'000	Actual £'000	Net Underspend £'000
Fund Administration Costs	3,417	2,910	507

Key fund income and expenditure items are detailed below and lifted from the Revenue and Fund Account in the accounts section accompanying this report. Fund receivables and payables are reconciled and monitored monthly.

Investment income, expenditure, profit and losses on disposal of investments and changes in the market value of investments are processed by the Fund's Custodian bank and reported to the Fund monthly.

Extract from 2018-19 Revenue and Fund Account	Actual £'m
Fund Receivables (contributions and Transfers In)	161.6
Fund Payables (benefits and Transfers Out)	-145.6
Management Expenses	-20.6
Net additions/withdrawals from dealings with members Including Fund Management Expenses	-4.6
Investment Income (less Taxation)	68.2
Profit and losses on disposal of investments and changes in the market value of investments	142.2
Net increase/decrease in the net assets available for benefits during the year	205.8

There were no notifiable late payments of contributions by scheme employers during 2018-19. All contributions outstanding at 31 March 2019 were collected within statutory timeframes.

Net Asset Statement

The net investment assets and liabilities held by the fund are detailed below and lifted from the Net Asset Statement in the Statement of Accounts section accompanying this report. Except for direct property all investment assets and liabilities are held in safe custody and reported through the funds custodian bank. Investment data is submitted monthly to the fund and monthly accounting records maintained.

	Pooled and Freehold Property, Private Equity, Derivatives & Cash	UK	Overseas	Total
	£'000	£'000	£'000	£'000
Fixed Interest Securities				
Public sector quoted		62,784		62,784
Equities				
Quoted		35,474	559,352	594,826
Pooled Funds				
Unit trusts		256,591	148,096	404,687
Unitised insurance policies		218,099		218,099
Other managed funds		1,649,531	178,379	1,827,910
Pooled and Freehold Property, Private Equity & Derivatives				
Pooled property investments	427,934			427,934
Private equity	212,928			212,928
Direct property	470			470
Futures	36			36
Forward currency contracts	1,804			1,804
Cash deposits	73,338			73,338
Amounts receivable for sales	406			406
Futures	-1,655			-1,655
Forward currency contracts	-1,334			-1,334
Amounts payable for purchases				0
Net investment assets	713,927	2,222,479	885,827	3,822,233

Further commentary on the movements in assets and liabilities are discussed in the following Investment Policy and Performance Report section.

Funding Arrangements

Full details of the Fund's funding arrangements are detailed in note 19 of the Statement of Accounts section accompanying this report. The table below summarises the whole fund Primary and Secondary Contribution Rates at this triennial valuation. The Primary Rate is the payroll weighted average of the underlying individual employer primary rates and the Secondary Rate is the total of the underlying individual employer secondary rates (before any pre-payment or capitalisation of future contributions), calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate (% of pay) 1 April 2017 - 31 March 2020	Secondary Rate	
	2017-18	2019-20
	£	2018-19
19.4%	26,306,000	27,463,000
		31,810,000

A list of contributing employers can be found at Appendix I. The amount of contributions received from each organisation during the year split between employees and employers is shown below.

	2018-19 £'000
Employers – normal	113,532
Employers – special	870
Employers – augmentation	15
Employers – strain	3,105
Members – normal	28,991
Members – purchase of additional scheme benefits	714
	147,227

By Employer Type

	2018-19 £000
Administering authority	57,381
Other scheduled bodies	63,772
Community admission bodies	8,021
Transferee admission bodies	2,345
Resolution bodies	15,708
	147,227

The late pay over of employee and employer contributions is monitored for reportable breaches in accordance with fund policy. In addition to monthly reconciliation and monitoring of contributions, compliance with breaches policy is reported quarterly to the Pensions Committee. All contributions outstanding at the 31 March 2019 have now been received.

Pension Overpayments

The table below analyses the pension overpayments, recoveries, any amounts written off and the results of participation in National Fraud Initiative (NFI) exercises (data matches, overpayments identified, actions taken, etc).

	2018-19
Number of Pension Overpayments	88
Number of Recoveries by Invoice	74
Number of Recoveries from spouse	10
Total recoveries	84
Number/Amounts of Recoveries Written Off	4 £2,678.11
National Fraud Initiative (Pensions in Payment)	Nil
National Fraud Initiative (Deferred Pensioners)	8

Investment Policy and Performance Report

Fund Performance Review for the year 2018-19

Introduction

The Administering Authority invests the Fund in compliance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. The Fund's investment advisor is Hymans Robertson LLP.

During 2018-19 fifteen external investment managers directly managed the Fund's assets:

- LaSalle (property) – previously Aviva Investors
- Link Asset Services (UK and overseas equities) – ACCESS pool operator
- Baillie Gifford & Co (UK equities) – to 25 January 2019
- Capital International (global equities and emerging market and high yield debt) – emerging market and high yield debt from December 2017
- Fidelity (overseas equities) – to 8 February 2019
- Goldman Sachs Asset Management (absolute return fixed interest)
- HarbourVest (North American, European, global secondary and Asia Pacific focused private equity and secondary real assets)
- Insight (UK Government debt & securitised debt)
- Janus Henderson (fixed income, absolute return fixed income and multi-asset credit)
- Legal & General Investment Management Index Linked Gilts - passive – to 15 April 2019
- M&G (absolute return fixed income, distressed and private debt)
- Equitix (infrastructure) – from 26 March 2019
- Aberdeen Standard Investments (European and global secondary focused private equity)
- UBS (UK equities - passive)
- Wellington (global equities)

The Fund has also signed commitments for infrastructure investments with Pantheon and JP Morgan that were undrawn on 31 March 2019.

The global custodian is HSBC.

The asset allocation has evolved over the year as the Fund has developed its enhanced yield portfolios and further reduced growth asset portfolios.

One direct property asset is managed internally. The majority of the cash holdings are swept to AAA rated money market funds managed by HSBC (the global custodian of the assets) and Goldman Sachs.

Insight (Pareto) and Berenberg Bank are employed to dynamically hedge the main overseas currency exposures arising on the overseas equity holdings.

Manager Changes

In April 2019 the Fund redeemed its final assets held with Legal & General Investment Management, a small holding (£1m) of index linked Gilts held at the request of one employer. During the year additional commitments were made to M&G private market fixed income, further capital was provided to the Capital Global High Income Opportunities Fund. Insight Structured Finance was funded during 2018-19.

During the year the Fund's mandates with Fidelity (overseas equity) and Baillie Gifford (UK equities) were transferred to the ACCESS pool (Link Fund Solutions Ltd). The Fund has maintained its investment exposure to both through the pool.

During the year the Fund conducted an exercise to identify "real asset" investment opportunities as a long term enhanced yield investment opportunity and a further portfolio diversification. At 31 March 2019 commitments had been entered into with three infrastructure managers: Equitix, Pantheon and J P Morgan. At the balance sheet date only Equitix had drawn capital.

2018-19 Investment Results

Financial markets generally had relatively subdued returns during the year albeit generally still ahead of the long-term return assumed by the actuary in setting the funding plan and higher in all cases than 2018-19. All three investment strategies used by the Fund demonstrated positive returns. The returns for each of the strategies is shown below against their relevant CPI based benchmarks.

Strategy	One year return to 31 March 2019	Benchmark return to 31 March 2019	Benchmark
Core Strategy A	5.50%	4.80%	CPI plus 2.9%
Alternative Strategy A	6.30%	5.10%	CPI plus 3.2%
Alternative Strategy B	7.00%	1.90%	CPI

Details of the strategy components are provided in the Funding Strategy Statement, Appendix IX.

The inception date for the multi-strategy approach was 1 July 2017.

All three strategies have outperformed their inflation linked benchmarks over the period. We expect these strategies to meet and exceed the benchmarks over a more meaningful three to five-year measurement as the multi-strategy approach moves forward. The reduction in equity exposure has continued to reduce overall investment risk in the portfolio.

As may be expected in a diversified portfolio, the performance of the individual active fund managers was mixed over the last twelve months. In the equity space, Capital (+3.2%) and Fidelity (+0.6%) both provided significant outperformance after fees compared to their equivalent passive benchmark. After a long period of outperformance, Baillie Gifford struggled slightly in a volatile UK market posting results that were 0.8% behind the benchmark albeit still posting an acceptable absolute return (+5.2%) and remaining at target outperformance over the more meaningful three-year time frame. Only Wellington are relatively disappointing, recording underperformance to their benchmark in the twelve-month period of -2.8% and also remaining behind benchmark on a three and five-year view. It is worth noting that despite this, the annualised absolute return over the five-year period remains +10% per annum. The relative performance is perhaps less surprising when considering that the Wellington mandate is managed as a “value” portfolio. This investment factor has been out of favour in markets for a number of years as “growth” stocks have outperformed but, in the trustees’ view, remains an important component of a diversified equity investment approach. Over the more relevant five-year performance period, each of the current active equity managers, other than Wellington, have added value net of fees. The passive UK equity mandate managed by UBS, tracked its benchmark as expected during the period.

The performance of the fixed income managers over the year was generally stable in a sometimes challenging market, particularly for the various strategies managed by M&G and Janus Henderson. The more recent additions of the Insight and Capital fixed income mandates had their first full year of investment. Capital Global High Income Opportunities was undoubtedly the star fixed income performer, producing an absolute return of 11.1% in the period. This was higher than benchmark and notably higher than the equity benchmark used by the Fund for global equities. Although fixed income markets were varied, as for 2017-18, the only notable disappointment within the fixed income assets were those managed by Goldman Sachs, which had a poor absolute and relative year and have been lack lustre since the manager started managing this strategy for the Fund. This mandate is the subject of review by the Committee.

Property had a more subdued year than the previous twelve months. The absolute return was 4.1%, which was a little behind the benchmark. In common with the multi-manager industry generally, La Salle (previously the team at Aviva) have struggled to add value above the benchmark return.

The Pensions Committee and its advisors remain committed to taking a long-term view of asset manager performance. In practice this means a period of at least five years while monitoring closely the stability of the business, its people and processes.

The illiquidity and relative immaturity of the Fund's private equity investments, together with the impact of currency movements and ongoing draw-downs, mean that the performance recorded for the underlying funds continues to be volatile. However, as strong global corporate finance activity continued again this financial year, the Fund saw a strong flow of cash returns from investments made by the private equity managers earlier in the programme. To maintain the programme, we have continued to make new investment commitments through the year primarily with HarbourVest. It has continued to be pleasing to receive early cash returns on some of the secondary investments made by the Fund, which has mitigated the "J-curve" often seen in private programmes. The private markets program was extended during the year with additional debt commitments with M&G and infrastructure commitments with Equitix, Pantheon and J P Morgan.

Ultimately, strategic asset allocation policies will have a greater impact on Fund performance than the ability of individual investment managers to deliver performance in excess of their benchmarks.

It is important to consider the risk framework in which the investment results are achieved. If the Fund takes more risk in its asset allocation decisions, it offers the potential for higher returns, but it also increases the uncertainty of the outcome, potentially increasing the chance of a negative downside.

The Fund is committed to ongoing review of its asset allocation and achieving an appropriate balance between risk and reward. While the Fund is a long-term investor of capital through investment cycles, it is also committed to holding investment managers to account for the results they achieve.

Triennial Valuation

The most recent completed triennial valuation of the Fund at 31 March 2016 was completed during 2016-17 in accordance with regulatory requirements. The valuation at 31 March 2019 is currently underway and will be completed by 31 March 2020.

A full 2016 Triennial Valuation report, including formal actuarial commentary, is available on our website at www.norfolkpensionfund.org.

Investment Market Review to 31 March 2019

Introduction

This commentary provides an overview of performance and major events in global financial markets for the three-year period ended 31 March 2019, while focusing on the latest 12 months.

Market Review of Global Financial Markets

After several good years, in which most asset classes have performed well, 2018 served as a reminder to us all that we should never become complacent. Most asset classes struggled as the buoyant sentiment of the past few years was overwhelmed by the weight of risks to the macroeconomic environment. However, the start of 2019 was more upbeat, with several asset classes rebounding from the December 2018 sell-off.

Over the 12-month period, the United States of America (USA) was the stand out economy, with President Trump's corporate and personal tax cuts boosting growth. However, escalating trade tensions and rising government bond yields took their toll on equity and corporate bond markets towards the end of the calendar year. Following this, the first quarter of 2019 saw a recovery in most major markets, in part fuelled by signals from central banks that monetary policy will be more supportive than previously expected.

Elsewhere, emerging markets faced several headwinds in 2018: a strong dollar driven by a hawkish Federal Reserve; Sino-America trade tensions; and credit tightening in China. Fast forward to 2019 and these headwinds had subsided to gentle gusts. The Federal Reserve became dovish, a trade deal between China and the USA looked increasingly likely and China's January credit data showed that monetary policy is loosening. These are all positive developments, but as usual in emerging markets, it's always best to be prepared for short-term volatility.

In Japan, conditions turned more challenging for companies. Following a period of synchronised expansion across Asia, the demand backdrop deteriorated, as ongoing trade frictions between the USA and China, slowing credit growth in China and uncertainty surrounding the United Kingdom's (UK) departure from the European Union (EU) weighed on activity. Towards the end of the period, most countries across Asia saw their economies slow significantly and various sentiment indices pointed to a slowdown. However, both dividends and share buybacks are expected to reach record levels this year.

It was also an interesting year for UK markets. The Federal Reserve's intent to normalise USA monetary policy, the potentially damaging effects of a Sino-USA trade war and Brexit uncertainty all hit investors' confidence, and, after a relatively benign period, market volatility increased. However, since the start of 2019, dovish comments from central banks and a de-escalation in the trade tensions between China and the USA have calmed markets and the FTSE All-Share index rebounded strongly in the first quarter to close the 12-month period to 31 March up 6.4 per cent.

UK government bond yields fell during the period, generating a positive return of 3.7 per cent. The Bank of England raised interest rates in August of last year, but expectations of future rate rises have been curtailed more recently by a combination of stalling global growth, lower oil prices and inflation, and Brexit uncertainties.

Corporate profitability remains high in the UK and default rates on riskier companies have been below average. This should be supportive for corporate bonds. Despite performing well in the first quarter of 2019, they have not outperformed government bonds over the full 12-month period, with Sterling investment grade corporate bonds also delivering a return of 3.7 per cent.

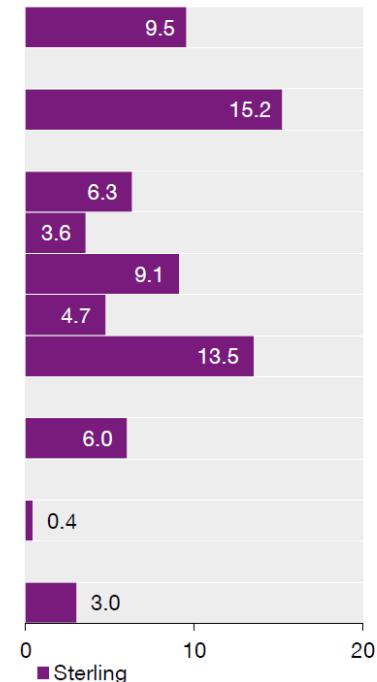
The returns on the main asset classes over 12 months and three years are illustrated in the charts on the following page.

Returns for World Markets to 31 March 2019

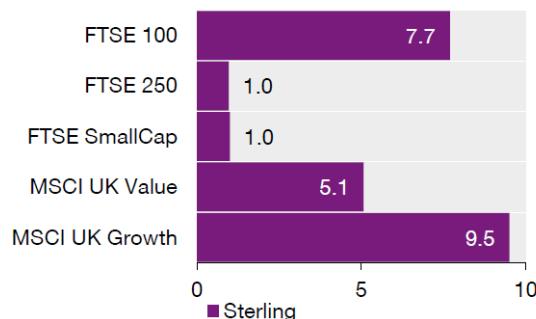
Major Classes – 12 Months (%)



Major Classes – 3 Years (% p.a.)



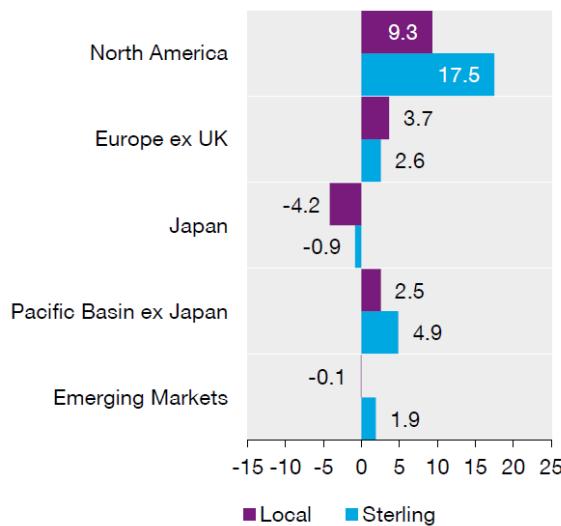
UK Market – 12 Months (%)



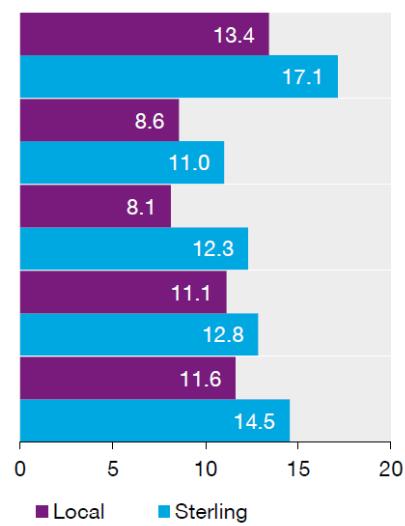
UK Market – 3 Years (% p.a.)



Overseas Equities – 12 Months (%)



Overseas Equities – 3 Years (% p.a.)



Source: StatPro, Datastream content from Refinitiv, FTSE, MSCI.

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JP Morgan

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Scheme Administration

How the service is delivered

The Norfolk Pension Fund is managed and administered from its central Norwich offices at Lawrence House, 5 St Andrew's Hill, Norwich, NR2 1AD.

All aspects of the pension service are managed in-house, including administration and investments.

This holistic approach delivers benefits to the service as experience and skills are widely shared, extending knowledge and resilience.

To deliver the Fund's administrative requirements we use a software package which provides the following functions:

- Supports the whole member lifecycle from joining, through to benefits accrual, and retirement and pension payments
- Automated workflow-driven processing ensures accurate and streamlined back-office administration
- Automated employer management for regular uploads of HR data, contribution reconciliation and strain calculations
- Built-in document management and bulk processing pensioner payroll from a single member database

The Fund's website www.norfolkpensionfund.org provides advice, information and news about the Fund and the LGPS for scheme members and employers.

We have an area of the website where scheme members can register to securely view their personal pension details. Once registered, scheme members can view and update their personal details, see their benefit statements and use our online pension calculator.

The Fund has an online Employer Portal giving scheme employers access to view their own data, securely exchange data and submit requests and changes online.

Scheme members, employers and our other stakeholders can contact the Norfolk Pension Fund team by telephone or email as follows:

Member Pensions Administration

Telephone 01603 495923

Email pensions@norfolk.gov.uk

Employer, Website and Technical Helpdesk

Telephone 01603 222132

Email pensions.systems@norfolk.gov.uk

Investment, Accountancy and Actuarial Services

Telephone 01603 222139

Email pensions.finance@norfolk.gov.uk

The Pensions Team is accountable to the Pensions Committee, participating employers and scheme members. The team are fully committed to providing a quality service to meet the needs of the Fund's various stakeholders and to delivering excellent customer care.

The Pensions Team administer the Norfolk Pension Fund in accordance with legislative requirements, including:

- Setting the strategic direction for all aspects of the service
- Managing and overseeing the investment of Fund monies
- Monitoring investment performance
- Preparing and maintaining Pension Fund accounts
- Supporting the Trustees of the Pension Fund in their decision making
- The administration of pensions records, including the preparation and distribution of the Annual Benefit Statements to all scheme members
- The timely collection of contributions
- The calculation and payment of pensions, including the administration of the annual pensions increase
- Advice and guidance to scheme members
- Advice and guidance to employers
- Early retirement schemes for Fund employers
- Early retirement schemes for Norfolk LEA Teachers and Colleges

Data Security

Norfolk Pension Fund is responsible for managing and processing personal data and sensitive information. We have the following arrangements in place to safeguard this data:

- All staff are regularly made aware of Norfolk County Council policies in respect of Confidentiality, Data Protection and Information Security
- New staff have these responsibilities and policies explained to them as part of their induction and their understanding is checked
- All administration data is stored electronically and paper records are safely destroyed
- Encrypted laptops are provided to all staff as part of their regular role or as part of our business continuity plan

- Where data has to be transferred off site we use either secure FTP, VPN, secure email or encrypted storage devices
- Norfolk Pension Fund staff have access to the secure Government Connect network

Internal Dispute Resolution Procedure

We operate an Internal Dispute Resolution Procedure (IDRP) which is defined by statute. This is used where a member disagrees with the benefits awarded or a decision made by their employer which affected their benefits.

Full details of the procedure can be found on our website at www.norfolkpensionfund.org/governance/complaints-and-disputes/.

There were no IDRPs logged against Norfolk Pension Fund during 2018-19.

Operational costs

The Fund's operational financial performance is reviewed by the Pensions Committee, which approves the annual budget.

Actual spend is monitored throughout the year by the Fund's management team and is reported in the Annual Accounts.

Professional Development

We consider the people who work for us as one of the Norfolk Pension Fund's biggest assets and value them accordingly:

- We invest in the continuing professional development of staff, for the benefit of our stakeholders and the Fund overall
- We operate a standard appraisal process across the team, linked into the Fund's service plan
- Incremental pay awards are directly linked to performance

Service Planning

We operate within a three-year Service Development Plan. This is shared with all the team and linked into the performance appraisal process.

Equality and Diversity

Norfolk Pension Fund has a workforce that reflects and is part of the community it serves. It is the policy of Norfolk County Council to ensure that all its employees are selected, trained and promoted on the basis of their ability, the requirements of the job and other similar non-discriminatory criteria. All employment decisions are based purely on relevant and objective criteria.

We aim to deliver accessible, high-quality and value for money services to all our customers, without discrimination on grounds of group memberships; for example sex, race, disability, sexual orientation, religion, belief or age.

Summary of significant projects

1. Guaranteed Minimum Pension (GMP) Reconciliation

We have continued with the Guaranteed Minimum Pension (GMP) reconciliation exercise to ensure that we hold correct information for any of our members with contracted-out service. Further cases came to light following other pension schemes completing their reconciliation exercises. We anticipate having all records updated by the time we submit data to the Fund actuary for the 2019 Triennial valuation.

2. General Data Protection Regulation (GDPR)

Norfolk Pension Fund published its Full and Short Privacy Notice in accordance with the General Data Protection Regulation which came into effect on 25 May 2019.

Contract variations with our suppliers were agreed to comply with GDPR.

We continue to work with NPLaw and the Norfolk County Council Procurement Team to ensure compliance.

3. ACCESS Investment Pool

Norfolk Pension Fund is working with 10 other Administering Authorities to form the ACCESS (A Collaboration of Central, Eastern and Southern Shires) Pool.

The collaboration is in response to the Government requiring regional LGPS Funds to work together to “pool investments to significantly reduce costs, while maintaining investment performance”.

A significant milestone was achieved in 2018 when ACCESS received approval from the Financial Conduct Authority (FCA) of the Authorised Contractual Scheme (ACS) and first sub-fund.

- ACS is the regulated tax efficient wrapper that provides the investment architecture for the Pool.
- Sub-funds are the ‘buckets’ into which the ACCESS Funds will transfer existing and future investment assets.

In early 2019 Norfolk Pension Fund transferred £867m of equity investment assets into the ACCESS Pool. Collectively ACCESS Funds have to date pooled over £8bn of

investments in the ACCESS pool and a further £10bn in a pooled passive asset vehicle. Further equity and bond sub-funds will be added to provide Norfolk and the other ACCESS Funds with a diversified range of investment buckets. As more assets are moved into the Pool, savings will accrue as the value of assets under management increases and investment manager fees reduce.

4. Investment Strategy

In February 2017 the Pensions Committee decided that the Fund would move from a single strategy for all employers to a multiple strategy approach. For initial implementation, it was agreed to move to three strategies. As a result of this decision, the Fund has made a number of changes to its asset allocation strategy; the last stage of this work being the appointment of long-term enhanced yield (real asset) managers in 2018-19.

Data Quality

We published our Report on Data Quality in February 2019. The Report was prepared using guidance from the Pension Regulator on Record-keeping and detailed the steps taken to maintain and improve the quality of membership data maintained by Norfolk Pension Fund.

- **Common Data**

Common data has been suggested by the Pension Regulator. It is basic data which is common to all membership types.

The common data score which is used measure of all common data items averaged across all items for Norfolk Pension Fund was 95.7%

The only significant area of “fail” is deferred pensioners’ addresses. These are marked as “gone away” on our systems if mail is returned to us.

Whilst it is certainly good practice to keep in touch with deferred pensioners, the fact that we don’t know their current whereabouts does not cause problems in terms of paying out money due or accounting for money due to be paid.

We carry out regular mortality screening and tracing exercises with deferred members. We have traced and written to deferred members having a different address to that which we hold on our records asking them to confirm that their address had changed. We are repeating this exercise every 18 months or so to keep records as up to date as possible whilst bearing in mind the cost of such exercises and the response rates achieved.

When deferred members reach retirement age and benefits are payable, individual tracing services are employed in order to ensure benefits are paid on time.

- **Conditional Data**

Conditional data is data which the Norfolk Pension Fund considers is essential to ensure correct recording of liabilities for actuarial purposes, correct calculations and payment of benefits.

The conditional data score averaged across all items for the Norfolk Pension Fund was 99.9%

The only significant area of fail is "deferreds passed due date". Regular reports are run against the system to highlight any cases where benefits are still being deferred but should possibly be in payment. The small numbers of cases shown as currently failing are those where we are currently carrying out tracing activities. We have instigated a write-off process where benefit amounts are small or beneficiaries cannot be traced after exhaustive search. This will reduce the number of cases that we are accounting for, but in practice will never pay out.

Where deferred benefits have not been put into payment by retirement age, this could be due to un-notified mortality, or "gone aways". Large numbers of such cases could affect funding of schemes; however, the small numbers involved here do not represent any significant funding issues.

Data cleansing is an ongoing exercise and therefore does not have timescales associated with it.

From 2016 we have been running an annual check on deferred members addresses with an external tracing company. This gives us likely addresses for our deferred members who have moved house but not informed us.

It is recognised by the Fund Actuary that the Norfolk Pension Fund data is among the cleanest in local government, however we are not complacent and know that we must strive to keep standards up. Regular monitoring of the measures identified in the Report will be carried out and any actions necessary to ensure data quality is maintained.

The Norfolk Pension Fund will review best practice of other pension funds to ensure that appropriate measures are used and where appropriate additional data monitoring will be put in place.

Key Performance Data

Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Administration Benchmarking Club

Norfolk Pension Fund takes part in the annual Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Administration Benchmarking Club.

Benchmarking results are published in November for the previous financial year 1 April to 31 March.

CIPFA Benchmarking results for Industry Standard Performance Indicators and LGPS Management Expenses are shown below for 1 April 2017 to 31 March 2018 (the latest available at time of publication).

Industry Standard Performance Indicators

Task	Target	Norfolk Results	Club Average
Letter detailing transfer-in quote	10 days	93.0%	84.6%
Letter detailing transfer-out quote	10 days	95.0%	87.5%
Process and pay	5 days	97.0%	86.1%
Letter notifying estimate of retirement benefit	10 days	97.1%	89.9%
Letter notifying actual retirement benefit	5 days	99.3%	92.5%
Process and pay lump sum retirement grant	5 days	99.3%	93.8%
Letter acknowledging death of member	5 days	97.9%	86.3%
Letter notifying amount of dependant's benefits	5 days	95.6%	92.5%
Calculate and notify deferred benefits	10 days	98.2%	81.6%

We use this data to target areas of improvement in our service provision. It helps us to understand the specific service pressures that the Fund faces and to operate as effectively and efficiently as we can.

Top Case Types

The table shows the top case types processed by the Norfolk Pension Fund during the period 1 April to 31 March.

Case Type	CIPFA Standard	2017-18		2018-19	
		Volume	% within CIPFA Standard	Volume	% within CIPFA Standard
Transfer In Quotes	10 days	156	90.3	310	91.6
Transfer Out Quotes	10 days	461	94.6	516	95.4
Refund Payments	5 days	304	95.7	879	95.7
Estimate of Retirement Benefits	10 days	1,714	96.9	1,615	98.0
Actual Retirement Benefits	5 days	1,358	99.3	1,569	99.8
Acknowledgement Death of Member	5 days	640	98.1	772	98.0
Notify Dependant's Benefits	5 days	219	96.0	298	99.1
Notify Deferred Benefits	10 days	2,680	98.1	2,860	97.5
TOTAL		7,532	96.1	8,819	96.9

LGPS Management Expenses Summary

	£'000	£ per member - Norfolk Pension Fund	£ per member - CIPFA Club average
LGPS Administration costs	1,664	18.63	20.14
LGPS Oversight and governance expenses	495	5.54	7.74
LGPS Investment management expenses	15,748	176.32	184.05
Total LGPS Management Expenses	17,907	200.49	211.94

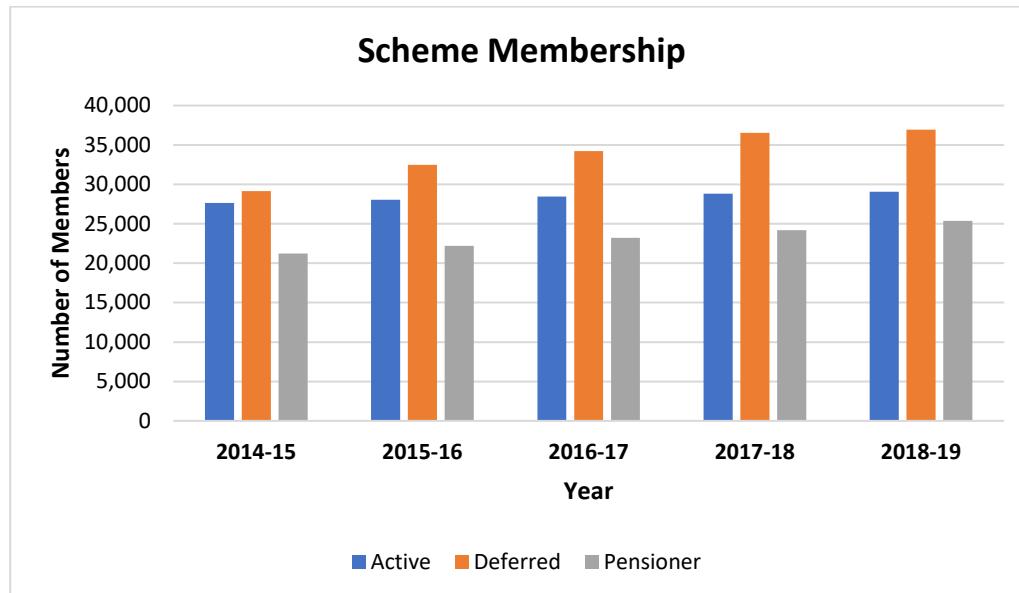
Please note that the Norfolk Pension Fund Unit Cost per Member for 1 April 2018 to 31 March 2019 is detailed in the following Analysis of Scheme Membership section.

Analysis of Scheme Membership

The Norfolk Pension Fund Unit Cost per Member for the period 1 April to 31 March 2019 is shown in the table below.

Process	2014-15	2015-16	2016-17	2017-18	2018-19
Investment Expenses					
Total cost £'000	13,208	13,371	14,601	15,748	17,960
Total Membership (Nos)	78,010	82,722	85,905	89,568	91,368
Cost per member (£)	169.31	161.64	169.97	175.82	196.57
Administration Costs					
Total cost £'000	1,754	1,766	1,684	1,749	1,858
Total Membership (Nos)	78,010	82,722	85,905	89,568	91,368
Cost per member (£)	22.48	21.35	19.6	19.53	20.34
Oversight and Governance Costs					
Total cost £'000	522	537	898	495	816
Total Membership (Nos)	78,010	82,722	85,905	89,568	91,368
Cost per member (£)	6.69	6.49	10.45	5.53	8.93

The Scheme Membership table below shows the change in scheme members over the five year period since 2014-15.



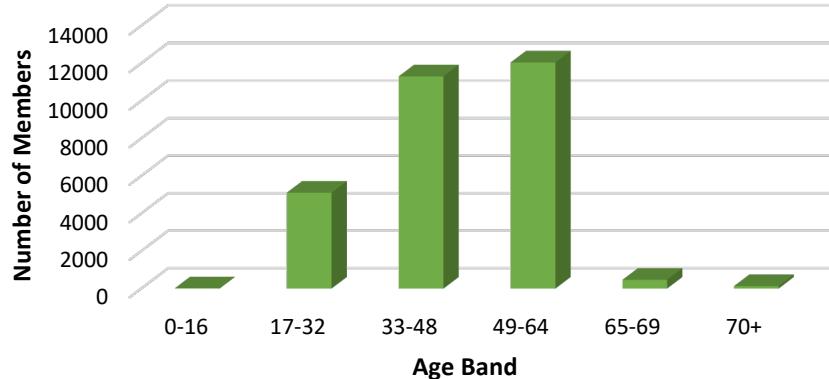
The table below illustrates the change in scheme membership since 2014-15. Since 2014-15 there has been a 5% increase in active scheme members, a 27% increase in deferred members and a 19% increase in pensioners (retired members). Over the past five years, the total scheme membership has grown by 17%.

	2014-15	2015-16	2016-17	2017-18	2018-19
Active	27,638	28,030	28,469	28,837	29,067
Deferred	29,125	32,477	34,216	36,520	36,947
Pensioner	21,247	22,215	23,220	24,211	25,354
Total	78,010	82,722	85,905	89,568	91,368

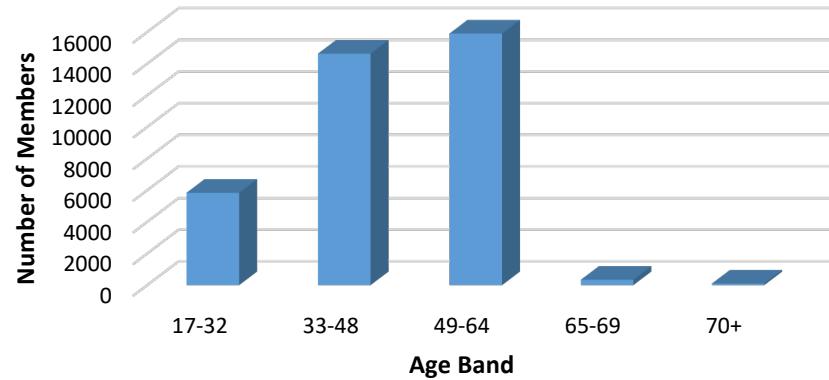
Membership Age Profile

The following charts show the age profile of active, deferred and retired scheme members.

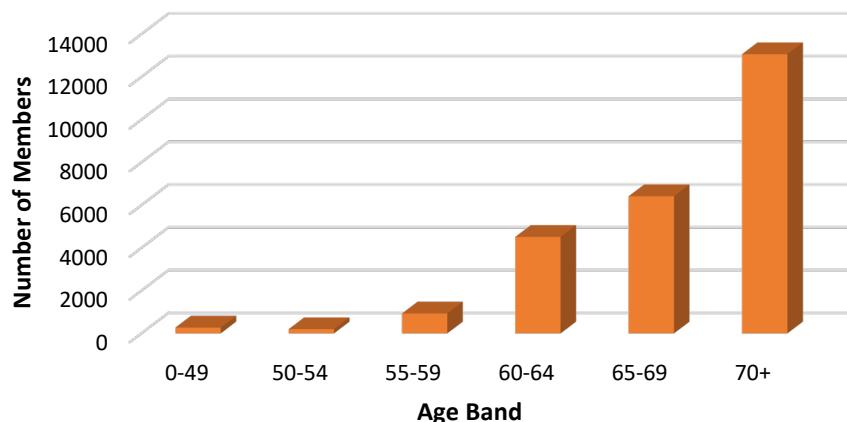
Age profile of Active Scheme Members



Age profile of Deferred Scheme Members



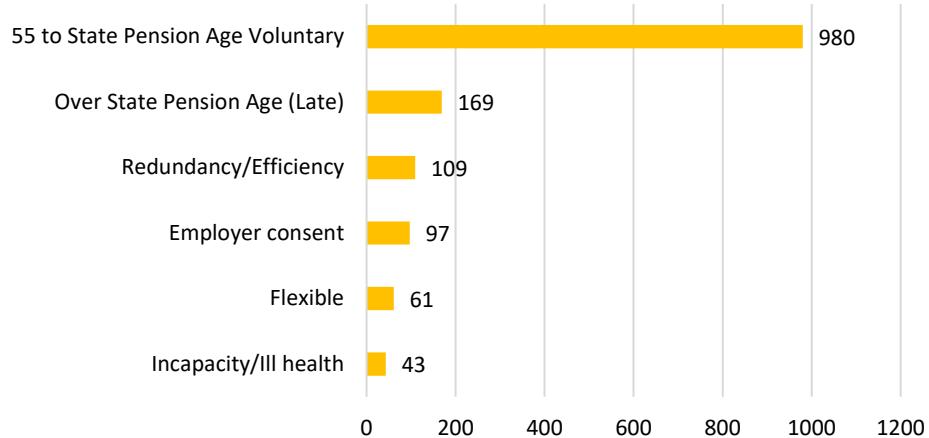
Age profile of Retired Scheme Members



Breakdown of retirements

1,459 scheme members retired in 2018-19, broken down into the different retirement types shown in the graph below.

2018-19 Retirement by Type



Employer Contributions

As at 31 March 2019 there were 400 employers with active members in the Fund.

A list of contributing employers is show at Appendix I.

The table below provides a split of contributions analysed by employer body.

2018-19	£'000
Administering authority	57,381
Other scheduled bodies	63,772
Community admission bodies	8,021
Transferee admission bodies	2,345
Resolution bodies	15,708
Total	147,227

All employers are required to lodge employer discretion policies with the fund and these are reviewed annually. Pension advice for employers undertaking TUPE staff transfers are encouraged to contact the fund in the first instance.

Details of the admission policy for new admitted bodies is contained in Appendix VI, the Funding Strategy Statement.

Customer Satisfaction

We gather feedback on our service from our customers that helps us identify areas of improvement and opportunities for efficiency. We hold events throughout the year so that we can meet key stakeholders face-to-face, which allows us to give updates on the Fund and our members and employers to ask questions and resolve any queries. Some of the highlights from the survey feedback are shown below.

Retired Member Forums, 14 to 17 May 2018 – “Very informative forum in a friendly atmosphere”, “Most interesting and informative”, “Plenty of material to read and take away. Leaflets very helpful and stimulate me to find out more”, “Reaffirmed that there is life after retirement”, “Exhibitors very pleasant and will engage in conversation”, “Great choice and mixture of exhibitors” and “Always learn something new and will pass on information to others”.

Employer Forums, 4 July 2018 and 12 December 2018 – 89% of respondents gave an overall assessment of the Forums as Excellent/Very Good and 88% rated the presentation content as Excellent/Very good. Comments included, “Triennial Valuation and LGPS National Issues presentations were a perfect pace and level of detail”, “My first visit. As the

RFO for a Town Council I found the level of knowledge reassuring”, “Excellent. Very informative and engaging” and “Very enjoyable and informative”.

Scheme Member Pension Clinics, 23 to 30 October 2018 – 100% of respondents said they were “Very satisfied” or “Satisfied” (with 84% saying they were “Very satisfied”) with the service received at the Clinics. Comments included, “My questions were answered and I was given some additional information that I wasn’t aware of”, “Answered all the questions I had comprehensively”, “Very helpful to clarify position with my two pension funds”, “Very concise and clear information”, “Took time to listen to questions & clarify meaning/understanding”, “Everything prepared – very helpful lady – Heather explained it all”, “Mark showed a clear understanding of our queries and explained things easily and free from jargon” and “Lorraine was very helpful and explained everything very clearly”.

Key Staffing Indicators

The chart below details the Norfolk Pension Fund Key Staffing Indicators including staff turnover, ratio of staff to scheme members and ratio of staff to the number of case items. The results are for the period 1 April to 31 March.

	2014-15		2015-16		2016-17		2017-18		2018-19	
Staff Joining	2	7.0%	2	7.0%	2	7.0%	1	3.5%	2	7.0%
Staff Leaving	2	0.0%	2	7.0%	2	7.0%	1	3.5%	2	7.0%
Total Staff (FTE)	28.5		28.5		28.5		28.5		28.5	
LGPS Admin Staff (FTE)	22		22		22		22		22	
Total Scheme Membership	78,010		82,722		85,905		89,568		91,368	
Members per LGPS Admin Staff (FTE)	3,546		3,760		3,905		4,071		4,153	
Staff to Member Ratio	1:161		1:171		1:178		1:185		1:189	
Case Items	7,729		7,629		6,907		7,532		8,819	
Case Items per LGS Admin Staff (FTE)	351		347		314		342		401	
Staff to Case Item Ratio	1:16		1:16		1:14		1:16		1:18	

(FTE) = Full-time equivalent

National LGPS Frameworks

National LGPS Frameworks, is a 'not for profit' national collaboration between several LGPS funds to efficiently procure specialist pension related services.

The National LGPS Frameworks operate on a self-funding model, with liability shared between all Founding Authorities. They are hosted by the Norfolk Pension Fund, supported by a dedicated team of professionals with assistance from other external support as necessary (for example, legal and procurement specialists from Norfolk County Council).

Using the National LGPS Frameworks saves LGPS Funds significant time and money by allowing quicker and more efficient procurement of high-quality and value for money

services. The frameworks mean users leverage better prices whilst still making local decisions about service requirements.

Since the inception of National LGPS Frameworks in 2012, the LGPS has already collectively benefiting from more than £105m in savings with:

- 10 Live frameworks in place
- 32 Funds and Pools have acted as 'Founding Authorities'
- 92 funds and pools joining the frameworks (plus two non-LGPS users)
- 247 contracts awarded
- 103 years of estimated effort saved by procuring through Frameworks



Actuarial Report on Funds

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

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2017. In summary, the key funding principles are as follows:

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

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

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2016. This valuation revealed that the Fund's assets, which at 31 March 2016 were valued at £2,901 million, were sufficient to meet 80% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £710 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS.

Individual employers' contributions for the period 1 April 2017 to 31 March 2020 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 2016 valuation report.

Method

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

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 2016 valuation were as follows

Financial assumptions	31 March 2016
Discount rate	3.8% p.a.
Salary increase assumption	2.5% p.a.
Benefit increase assumption (CPI)	2.2% p.a.

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 2013 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	22.1 years	24.4 years
Future Pensioners*	24.1 years	26.4 years

*Aged 45 at the 2016 Valuation.

A copy of the Funding Strategy Statement is available at Appendix IX. Together with the Actuarial Valuation Report 2016, it is also available on request from the Administering Authority to the Fund and at www.norfolkpensionfund.org/governance/investment-and-stewardship/.

Experience over the period since 31 March 2016

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities but there have been strong asset returns over the 3 years. Both events are of broadly similar magnitude with regards to the impact on the funding position.

The next actuarial valuation will be carried out as at 31 March 2019. The Funding Strategy Statement will also be reviewed at that time.

Governance

Governance Strategy Statement

The Norfolk Pension Fund publishes a Governance Strategy Statement each year. The latest version of this document can be viewed at Appendix XI and on our website at www.norfolkpensionfund.org.

The Governance Strategy Statement reflects the Fund's commitment to transparency and engagement with employers and scheme members.

We monitor, review and consult where appropriate to ensure that our governance arrangements continue to be effective and relevant.

Norfolk Pension Fund is committed to the core principles of the Good Governance Framework.

Governance Compliance Statement

The Norfolk Pension Fund is fully compliant with the principles set out in the Local Government Pension Scheme Regulations 2013 (as amended) Regulation 55.

The full Governance Compliance Statement is at Appendix IV.

Administering Authority

Norfolk County Council (NCC) is the Administering Authority of the Norfolk Pension Fund and administers the LGPS on behalf of its participating employers.

- NCC has delegated its pensions functions to the Pensions Committee
- NCC has delegated responsibility for the administration and financial accounting of the Fund to the Executive Director of Finance and Commercial Services
- The Norfolk Pension Fund has established a Local Pension Board (known locally as the Pensions Oversight Board)
- This report supports NCC's Annual Governance Statement, which is published in the NCC Annual Statement of Accounts

Pensions Committee

The Pensions Committee is responsible for the strategic management of the assets of the Fund and the administration of benefits. The Pensions Committee meets quarterly to:

- Ensure compliance with legislation and best practice
- Determine policy for the investment, funding and administration of the Fund
- Monitor performance across all aspects of the service

- Consider issues arising and make decisions to secure efficient and effective performance and service delivery
- Appoint and monitor advisors
- Ensure that arrangements are in place for consultation with stakeholders as necessary

Pensions Committee Membership 2018-19

Chairman:	Norfolk County Councillor	Cllr Judy Oliver
Vice-Chairman:	District Councillor (co-opted by the Local Government Association)	Cllr Alan Waters
	Norfolk County Councillor	Cllr Danny Douglas
	Norfolk County Councillor	Cllr Tom FitzPatrick
	Norfolk County Councillor	Cllr Martin Storey
	Norfolk County Councillor	Cllr Brian Watkins
	District Councillor (co-opted by the Local Government Association)	Cllr John Fuller
	Staff Representative	Steve Aspin
	Observer	Any participating employers
Other attendees:	Administrator of the Fund (NCC Executive Director of Finance and Commercial Services)	Simon George
	Head of the Norfolk Pension Fund (Scheme Manager)	Nicola Mark
	Investment Advisor to the Fund	William Marshall (Hymans Robertson LLP)

Pensions Committee Meetings and Training

		Steve Aspin	Danny Douglas	Tom FitzPatrick	John Fuller	Judy Oliver - Chairman	Martin Storey	Alan Waters - Vice-Chairman	Brian Watkins
June 2018	Pensions Committee	✓	✓	✓		✓	✓	✓	✓
June 2018	New Member Induction and Training			✓					
September 2018	Pensions Committee	✓	✓	✓		✓	✓	✓	
November 2019	Local Government Association (LGA): Local Government Pension Scheme (LGPS) Fundamentals Training	✓	✓	✓		✓		✓	✓
December 2018	Pensions Committee	✓		✓	✓	✓		✓	✓
January 2019	Local Government Association (LGA): Local Government Pension Scheme (LGPS) Governance Conference			✓		✓			
February 2019	Pensions Committee	✓	✓	✓	✓	✓	✓	✓	✓

Pensions Committee Training

The training needs of the Pensions Committee is considered in line with CIPFA Knowledge and Skills Framework alongside the 12-month agenda planning process. Training is business driven, therefore the programme is flexible. This allows us to effectively align training with operational needs and current agenda items, helping to support member decision making.

Member training is supplemented by attendance at Local Government Association (LGA) and other associated events. A training log is maintained.

In June 2018 an induction training session was held for new Pensions Committee Members, covering all aspects of pensions administration, including investment performance monitoring and implementation of investment strategies.

In November 2018, Pensions Committee Members attended an annual Local Government Association (LGA) event covering a wide range of aspects regarding LGPS investment, governance and current issues. This included meeting Hymans Robertson for a detailed overview of the Fund's Triannual Valuation and a session with various providers of investment services.

In January 2019 two members from the Pensions Committee attended a two-day 'Local Government Association (LGA): Local Government Pension Scheme (LGPS) Governance Conference' covering topics including investment costs, Responsible Investment and Climate Risk, infrastructure investment, fund valuation, scheme consultations and legal update.

Annual Report from the Pensions Oversight Board

This is the Annual Report of the Norfolk Pension Fund Pensions Oversight Board, covering the period from 1 April 2018 to 31 March 2019.

Role and Function

The Norfolk Pension Fund Pensions Oversight Board was established as the Local Pension Board for the Norfolk Pension Fund in accordance with section 5 of the Public Service Pension Act 2013 and Part 3 of the LGPS Regulations 2013.

The remit of the Pensions Oversight Board includes assisting the Administering Authority as Scheme Manager:

- to secure compliance with the LGPS regulations and any other legislation relating to governance and administration of the LGPS
- to secure compliance with requirements imposed in relation to the LGPS by the Pension Regulator.



Kevin McDonald,
Chairman of the Norfolk
Pension Fund Pensions
Oversight Board

The Terms of Reference for the Norfolk Pension Fund Pensions Oversight Board (Local Pension Board) are available on the Norfolk Pension Fund's website:
www.norfolkpensionfund.org/governance/local-pension-board/.

Membership

Membership of the Pensions Oversight Board is structured as follows:

- three scheme member representatives of which one has been nominated by the trade unions and the rest drawn from the total scheme membership
- three employer representatives made up of Norfolk County Council (one), precepting/levying employers (one), other employers (one)
- one independent non-voting chairman

Membership of the Board during the period April 2018 to March 2019 was as follows:

Role	Representing	Appointment
Independent Chair		Kevin McDonald, Director for Essex Pension Fund, Essex County Council
Role	Representing	Appointment
Scheme Member representatives	Trade Union nominee	Rachel Farmer (UNISON)
	Active/Deferred representative	John Harries
	Pensioner representative	Brian Wigg
Employer representatives	Norfolk County Council representative	Debbie Beck
	Precepting/levying employers representative	Councillor Chris Walker, Poringland Parish Council
	Other employers representative	Howard Nelson, Diocese of Norwich Education and Academies Trust

Pensions Oversight Board Meetings

The Pensions Oversight Board met three times during the year - in June and October 2018 and January 2019. (It also met in early April 2019).

In addition to these meetings, Pensions Oversight Board Members have attended as observers each of the Pensions Committee meetings between April 2018 and March 2019.

During the course of the year the areas reviewed and contributed to have included:

- Norfolk Pension Fund's internal structural review
- Investment pooling
- LGPS reform
- Norfolk Pension Fund Annual Report and Accounts cycle
- Corporate Governance and Shareholder Engagement
- Guaranteed Minimum Pension (GMP) reconciliation
- MHCLG consultations (Fair Deal and Asset Pooling Guidance)
- Administration reporting to Pensions Committee

The Pensions Oversight Board maintain a forward work programme, aligned to the Pensions Committee work programme.

Attendance at Pensions Oversight Board meetings was 76%.

Pension Oversight Board Member Training

In order to fulfil their role effectively and to comply with requirements imposed by regulations which are enforced by the Pensions Regulator, the members of the Pensions Oversight Board are required to maintain their knowledge and understanding of the LGPS and pensions in general, so receive appropriate training.

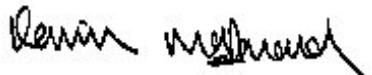
All Pensions Oversight Board members received introductory training and resources. Pensions Oversight Board members are currently undertaking the Pensions Regulators public sector trustee toolkit modules and are encouraged and make use of other resources and training opportunities.

Along with members of Pensions Committee, Pensions Oversight Board members attended a full bespoke training day in November 2018. Board members also attended national conferences and training events through the year.

Knowledge and skills are considered at each meeting, to help shape future development needs aligned with their forward work programme. Details of observing at Pensions Committee meetings and training events (internal and external) are recorded throughout the year.

Review of the Pensions Oversight Board

Following review, Pensions Committee agreed to change the terms of office of members of the Pensions Oversight Board to allow appointments to the Board for four years, with the option to extend for a further two years. The Pensions Committee had also agreed to an extension of current appointments until July 2021 so that the Pension Fund benefited fully from the accumulated knowledge and experience of its current Board Members. The Interim Chairing arrangements are being reviewed as part of the Norfolk Pension Fund governance review.



Kevin McDonald
Chairman of the Norfolk Pension Fund Pensions Oversight Board
18 June 2019

Pensions Committee and Pensions Oversight Board Members Codes of Conduct

Pensions Committee Members must comply with the Norfolk County Council Members Code of Conduct which focuses upon 'The 7 Nolan principles of public life' of selflessness, integrity, objectivity, accountability, openness, honesty, and leadership.

It sets an objective, non-political and high standard the purpose of which is to remind members of the Authority of the behaviour expected of them in public life and to set out clearly the key principles against which their conduct will be measured.

A copy of the 'Members' Code of Conduct' is available at Appendix VII.

Pensions Oversight Board Members are also required to comply with the 'The 7 Nolan principles of public life' as detailed at <https://www.gov.uk/government/publications/the-7-principles-of-public-life/the-7-principles-of-public-life--2>.

Conflict of interest: Pensions Committee

There is a standing agenda item at each Pensions Committee meeting for Members to declare any interests:

"If you have Disclosable Pecuniary Interest in a matter to be considered at the meeting and that interest is on your Register of Interests you must not speak or vote on that matter. If you have a Disclosable Pecuniary Interest in a matter to be considered at the meeting and that interest is not on your Register of Interests you must declare that interest at the meeting and not speak or vote on the matter.

In either case you may remain in the room where the meeting is taking place. If you consider that it would be inappropriate in the circumstances to remain in the room, you may leave while the matter is dealt with. If you do not have a Disclosable Pecuniary Interest you may nevertheless have an Other Interest in a matter to be discussed if it affects:

- your wellbeing or financial position*
- that of your family or close friends*
- that of a club or society in which you have a management role*
- that of another public body of which you are a member to a greater extent than others in your ward*

If that is the case then you must declare such an interest but can speak and vote on the matter."

Conflict of Interests: Pensions Oversight Board

There is a standing agenda item at each Pensions Oversight Board meeting for Members to declare any interests:

“Declarations of interest

Members to declare any conflict of interest. For the purposes of a member of a Local Pension Board (the Pension Oversight Board), a ‘conflict of interest’ may be defined as a financial or other interest which is likely to prejudice a persons exercise of functions of a Local Pension Board. (A conflict does not include a financial or other interest arising merely by virtue of being a member of the LGPS / Norfolk Pension Fund).

Therefore, a conflict of interest may arise when a member of a Local Pension Board:

- *must fulfil their legal duty to assist the Administering Authority; and*
- *at the same time they have:*
 - *a separate personal interest (financial or otherwise); or*
 - *another responsibility in relation to that matter, giving rise to a possible conflict with their first responsibility as a Local Pension Board member.”*

Accountability and Transparency

Pensions Committee agendas, reports and minutes are published on the Norfolk County Council website at www.norfolk.gov.uk/what-we-do-and-how-we-work/councillors-meetings-decisions-and-elections/committees-agendas-and-recent-decisions under Other Committees.

Pensions Committee meetings are open to members of the public.

Pensions Oversight Board agendas, reports and minutes are published on the Norfolk Pension Fund website at www.norfolkpensionfund.org/governance/local-pension-board/.

ACCESS Joint Committee

The eleven ACCESS participating Funds are each administering authorities within the Local Government Pension Scheme, as set out in the Local Government Pension Scheme regulations 2013.

Each authority administers, maintains and invests their own respective funds within the LGPS in accordance with these regulations and the LGPS investment Regulations. The ACCESS authorities have signed an Inter Authority Agreement which sets out how

they will work together.

The Inter Authority Agreement at <http://www.accesspool.org/document/366>.

The Inter Authority Agreement (Schedule 1) confirms the ACCESS governing principles, which can be viewed at <http://www.accesspool.org/document/17>.

Administering Authority Section 101 Committees ('Pensions Committees') are represented at the Joint Committee. A list of Joint Committee Members can be viewed at <https://www.accesspool.org/governance/governance-1/>.

The Norfolk Pension Fund Pensions Committee and Pensions Oversight Board are regularly updated and review the work of the Joint Committee, the Operator and ACCESS investment performance.

Reference Material

The following documents can be viewed or downloaded from the Norfolk Pension Fund's website at www.norfolkpensionfund.org:

- Annual Report and Accounts
- Customer Care and Communication Strategy
- Employers Newsletters
- Funding Strategy Statement
- Governance Strategy Statement
- Primetime (retired members newsletter)
- Sample Annual Benefit Statements
- Investment Strategy Statement
- Voting Records
- Pensions Administration Strategy

In addition, the following documents are available from the Norfolk Pension Fund:

- Confidentiality Policy
- Full Privacy Notice (including data protection policy)
- Governance Compliance Statement
- Information Security Policy

National Asset Pools

The Government has encouraged LGPS Funds to work together to put forward plans to, “pool investments to significantly reduce costs, while maintaining investment performance.” In response eleven like-minded LGPS Funds (including Norfolk Pension Fund) are working together under the name of ACCESS (A Collaboration of Central, Eastern and Southern Shires). Individually the participating funds have a strong performance history and potential for substantial benefits for a group of successful like-minded authorities collaborating and sharing their collective expertise. Collectively the ACCESS Pool has significant scale with assets of £46bn, managed on behalf of 3,250 employers and over one million members. During 2018-19 ACCESS began the process of transferring assets to the pooled arrangement. Excluding passive assets £8.1bn was transferred to the pool at 31 March 2019 including £867m of Norfolk Pension Fund assets.

Below is an extract from the first Annual Report for the ACCESS Pool.

Progress

ACCESS submitted its pooling proposal to Government in July 2016 with detailed plans for establishing and moving assets into the pool and has regularly submitted progress reports to Government. These are all published on the Pool’s website www.accesspool.org.

Included in the proposal is an indicative timeline of when assets will be pooled and ACCESS has made excellent progress against the principal milestone of having £27.2bn assets pooled and estimated savings of £13.6m by March 2021.

Pooled Assets

As at 31 March 2019 ACCESS has pooled the following assets:

Pooled Investments	£ '000
Passive investments	11,431
UK Equity Funds	2,323
Global Equity Funds	5,853
Total Pooled Investments	19,607

The passive investment funds are held on a pool governance basis under one investment manager as these assets are held in life fund policies, which cannot be held within an authorised contractual scheme.

Key milestones achieved in 2018-19

- Establishment of the ACCESS Support Unit and recruitment of a contract manager and support officer to provide day to day support for the Pool. The unit was further

strengthened by the appointment of technical leads from existing officers to lead and progress specific areas of work.

- Development of a Governance Manual to reflect decision making principles, communications strategy, policies and procedures.
- Approval and launch of the first two tranches of sub-funds.
- Establishment and implementation of the stock lending programme.
- Providing updates of progress to Government and responding to consultations.

Objectives for 2019-20

Following the launch of a number of sub-funds, progress will continue apace with significant rationalisation of the existing range of mandates. The Operator will be developing and launching a further series of sub-funds which will collectively reflect the strategic asset allocation needs of the Funds and facilitate a significant move of the assets to be pooled.

Whilst establishing and developing the ACCESS Pool, the initial focus has been on pooling the most liquid assets, mainly equities and fixed income bonds. The next step is to formulate an approach to pooling and managing illiquid assets such as private equity and infrastructure. This will involve reviewing various structures and platforms and assessing these to identify the best fit to meet with the Funds current and future requirements.

Pool Set-Up Costs

Details of the set-up costs incurred by the Norfolk Pension Fund in respect of the ACCESS Pool are detailed below. The table reflects the costs incurred in financial year 2018-19 and shows the cumulative costs to date since financial year 2015-16 when the initial set up of the ACCESS Pool commenced. Set up costs are budgeted and monitored as part of the Funds Projects budget. The Fund had set aside an estimate budget of £150K to meet these costs in financial year 2018-19.

Set-Up Costs	2018-19		2015-16 to 2018-19	
	Direct £'000	Indirect £'000	Total £'000	Cumulative £'000
Technical/Legal Advice	150	2	152	348
TOTAL - Set-Up Costs	150	2	152	348

In addition to the ACCESS Pool set up costs shown above, the Fund also incurred costs associated with the transition of assets into the pool. The costs below were incurred mainly in respect of French financial transaction tax as a result in a change in beneficial ownership of the underlying Pooled Fund holdings. These one-off costs were considered as part of the overall cost benefit analysis of the transition into the pool.

Transition Costs	2018-19		2015-16 to 2018-19	
	Direct	Indirect	Total	Cumulative
	£'000	£'000	£'000	£'000
Taxation	165	-	165	165
TOTAL - Transition Costs	165	-	165	165

Whilst the Fund has incurred costs associated with the set up of the Pool and transition of the assets, the Fund has also benefitted from a number of savings. The table below shows the savings made in 2018-19 and the total savings to date since financial year 2015-16.

Pooling Savings	2018-19	2015-16 to 2018-19	
		Total	Cumulative
		£'000	£'000
TOTAL - Pooling Savings	1,825	4,299	

The analysis below shows the investment expenses incurred during financial year 2018-19 between expenses incurred in respect of Pooled Assets held in the ACCESS Pool and those assets held outside of the pool.

Management Fees	Asset Pool				Non-Asset Pool				Fund Total	
	Direct	Indirect	Total	bps	Direct	Indirect	Total	bps	£'000	bps
	£'000	£'000	£'000		£'000	£'000	£'000			
Invoice Fees (excl VAT)	317	0	317	2	14,949	179	15,128	58	15,445	60
Performance					428	0	428	2	428	2
Other Charges					154	0	154	1	154	1
Fees paid from NAV Pooled Funds					0	4,087	4,087	16	4,087	16
Broker Commission					720	0	720	3	720	3
Transaction Taxes					167	0	167	1	167	1
Implicit Costs					1,525	0	1,525	6	1,525	6
Legal and Advisory Fees					15	0	15	0	15	0
Other Transaction Costs					5	1,858	1,863	7	1,863	7
Indirect Transaction costs					0	51	51	0	51	0
Custody					71	0	71	0	71	0
Other	4	0	4	0	1,019	0	1,019	4	1,023	4
Total	321	0	321	2	19,053	6,175	25,228	98	25,549	100

The analysis below shows the investment assets that transitioned to the ACCESS Pool during financial year 2018-19 and the investment held outside of the pool.

	Opening Value		Closing Value	
	£'000	%	£'000	%
Asset Pool managed investments				
Pooled Investment - Equities - active	0	0.00%	866,788	22.67%
Total	0	0.00%	866,788	22.67%
Non-Asset Pool managed investments				
UK Public Sector Quoted - active	26,989	0.75%	27,795	0.73%
UK Quoted- active	33,161	0.93%	34,989	0.92%
Equities - active	796,781	22.26%	594,826	15.56%
Pooled Investment vehicles - active	1,763,796	49.27%	1,269,280	33.20%
Pooled Investment vehicles - passive	252,667	7.06%	255,526	6.69%
Derivatives – Futures	4,717	0.13%	-1,619	-0.04%
Derivatives - Forward Currency	1,380	0.04%	470	0.01%
Property Funds	414,335	11.57%	427,934	11.20%
Property - directly held	444	0.01%	470	0.01%
Private Equity	194,877	5.44%	212,928	5.57%
Infrastructure	0	0.00%	59,102	1.55%
Cash N/A	90,762	2.54%	73,744	1.93%
Total	3,579,909	100.00%	2,955,455	77.33%
Total Fund	3,579,909	100.00%	3,822,233	100.00%

The table below details the return for the component strategies for the Fund. The 12 month return to 31st March 2019 is ahead of the benchmark return for each strategy.

Strategy	Return since inception	Annualised Return since inception	12 month return to 31 March 2019	Benchmark return to 31 March 2019	Benchmark	Annualised benchmark return since inception
Core Strategy A	8.10%	4.60%	5.50%	4.80%	CPI plus 2.9%	5.00%
Alternative Strategy A	8.80%	4.90%	6.30%	5.10%	CPI plus 3.2%	5.30%
Alternative Strategy B	7.10%	4.00%	7.00%	1.90%	CPI	2.00%

Pension Administration Strategy Report

The Norfolk Pension Fund Pension Administration Strategy (PAS) sets out the requirements of employers which will enable them and the Norfolk Pension Fund to meet their legal obligations in respect of the Local Government Pension Scheme (LGPS).

The aim of the PAS is to detail requirements for liaison and communication between employers and the Norfolk Pension Fund and to establish minimum levels of administrative performance required by all parties to meet their statutory obligations. The PAS aims to promote good working relationships and improve transparency, efficiency and quality.

Norfolk Pension Fund works closely with employers to identify areas of poor performance and ensure where necessary training and development are undertaken to address any shortcomings.

This close working relationship has ensured that all our scheme employers have met required service standards in respect of providing the Fund with:

- the name of an employer contact (Pension Liaison Officer)
- an employer discretions policy document
- a statement of compliance regarding the administration of the scheme
- timely data submissions
- timely response to enquiries by the Fund

This collaborative approach means during 2018-19 that the Fund has not been required to:

- issue any employer Improvement Notice
- recharge any employer for administration costs due to failure to comply with requirements
- recover any costs from any employer for excessive service requests
- recharge any employer with other charges or obligations (e.g. fine imposed on the Norfolk Pension Fund by regulatory bodies) which relate to performance of the employer
- issue a penalty to any employer for failure to meet their statutory obligations

A copy of the Pension Administration Strategy is available at Appendix XII and on our website at www.norfolkpensionfund.org.

Customer Care and Communication Strategy Statement

The Norfolk Pension Fund is committed to delivering a consistently high level of performance and customer service. Excellent communication is core to this commitment.

In all our communications we aim to:

- Provide clear, relevant, accurate, accessible and timely information
- Carefully listen, consider and respond to communications we receive
- Use plain English where possible and avoid unnecessary jargon
- Use the communication method that best suits the audience and the information being passed on

How we achieve these objectives is detailed in our Customer Care and Communication Strategy Statement, which can be found at Appendix X and on our website at www.norfolkpensionfund.org/governance/keeping-you-informed/.

The Statement sets out who our main customers and contacts are, detailing how and when we communicate with them. We continually review and monitor our communications and the Statement is formally reviewed and endorsed each year by the Pensions Committee.



Norfolk Pension Fund

**Statement of Accounts
2018-19**

Statement of Responsibilities

The Authority's Responsibilities

The Authority 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 authority, that officer is the Executive Director of Finance and Commercial Services;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the statement of accounts.

The Executive Director of Finance's and Commercial Services Responsibilities

The Executive Director of Finance and Commercial Services is responsible for the preparation of the Pension Fund statement of accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) and Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in Great Britain ("the Code").

In preparing this statement of accounts, the Executive Director of Finance and Commercial Services has:

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

The Executive Director of Finance and Commercial Services has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate by the Executive Director of Finance and Commercial services

I certify the statement of accounts set out on pages 73 to 146 presents a true and fair view of the financial position of the Norfolk Pension Fund at the accounting date and its income and expenditure for the year ended 31 March 2019.

Signed:



Simon George Executive Director of Finance and
Commercial Services and Fund Administrator

Date: 29th July 2019

Independent Auditor's Report

Independent Auditor's Statement to the Members of Norfolk County Council on the Pension Fund Financial Statements



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORFOLK COUNTY COUNCIL

Opinion

We have audited the pension fund financial statements for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019 and the amount and disposition of the fund's assets and liabilities as at 31 March 2019; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the pension fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Executive Director of Finance and Commercial Services' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Executive Director of Finance and Commercial Services has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the "Statement of Accounts 2018-19", other than the financial statements and our auditor's report thereon. The Executive Director of Finance and Commercial Services is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Executive Director of Finance and Commercial Services

As explained more fully in the "*Statement of the Responsibilities*" set out on pages 12, the Executive Director of Finance and Commercial Services is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Executive Director of Finance and Commercial Services is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Pension Fund either intends to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of Norfolk County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Hodgson

Ernst & Young LLP

Date: 31 July 2019

**Mark Hodgson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Cambridge**

The maintenance and integrity of the Norfolk Pension Fund / Norfolk County Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



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**INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF NORFOLK COUNTY COUNCIL
ON THE PENSION FUND FINANCIAL STATEMENTS**

Opinion

We have examined the pension fund financial statements for the year ended 31 March 2019, which comprise the Fund Account, the Net Assets Statement and the related notes.

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of Norfolk County Council for the year ended 31 March 2019 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Respective responsibilities of the Executive Director of Finance and Commercial Services and the auditor

As explained more fully in the "*Statement of the Responsibilities*", the Executive Director of Finance and Commercial Services is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of Norfolk County Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We also read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists only of the following:

- Introduction
- The Local Government Pension Scheme
- Contact Us
- Scheme Management and Advisers
- National Representation and Involvement
- Risk Management
- Financial Performance
- Investment Policy and Performance Report
- Scheme Administration
- Actuarial Report on Funds
- Governance
- Annual Report from the Pensions Oversight Board
- National Asset Pools

- Pension Administration Strategy Report
- Customer Care and Communication Strategy Statement

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the administering authority's full annual statement of accounts describes the basis of our opinion on those financial statements.

Mark Hodgson

Ernst & Young LLP

Date: 31 July 2019

**Mark Hodgson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Cambridge**

Revenue and Fund Account

For the Year Ended 31 March 2019

2017-18 £000	Notes	2018-19 £000
Dealings with members, employers and others directly involved in the Fund		
147,147 Contributions	7	147,227
11,637 Transfers in from other pension funds	8	14,336
158,784		161,563
-134,314 Benefits	9	-138,635
-7,706 Payments to and on account of leavers	10	-6,949
-142,020		-145,584
16,764 Net additions/withdrawals from dealings with members		15,979
-17,992 Management Expenses	11	-20,634
-1,228 Net additions/withdrawals from dealings with members Including Fund Management Expenses		-4,655
Returns on investments		
60,831 Investment income	12	68,738
-489 Taxes on income	13a	-507
115,009 Profit and losses on disposal of investments and changes in the market value of investments	14a	142,246
175,351 Net return on investments		210,477
174,123 Net increase/decrease in the net assets available for benefits during the year		205,822
3,429,247 Opening net assets of the scheme		3,603,370
3,603,370 Closing net assets of the scheme		3,809,192

Net Assets Statement

As at 31 March 2019

2017-18 £000	Notes	2018-19 £000
3,584,965	Investment assets	14 3,825,222
-5,056	Investment liabilities	14 -2,989
3,579,909	Total Net Investments	3,822,233
3,290	Long term debtors	21 2,119
3,290		2,119
	Current Assets	
19,393	Debtors	21 16,232
10,434	Cash in hand	21 13,036
29,827		29,268
	Current Liabilities	
-9,656	Creditors	22 -44,428
-9,656		-44,428
20,171	Net current assets	-15,160
	Net assets of the Fund available to fund benefits at the period end	
3,603,370		3,809,192

The Fund account and the net assets statement do not take account of liabilities to pay pensions and other benefits after the period end. The ability to meet these future liabilities is considered by the Fund actuary as part of the triennial formal valuation process. Information relating to the valuation of these liabilities is shown in note 20.

Signed:



Simon George
Executive Director of Finance and Commercial
Services and Fund Administrator

Date: 29th July 2019

Notes to the Accounts

1. Description of Fund

The Norfolk Pension Fund ("the Fund") is part of the Local Government Pension Scheme and is administered by Norfolk County Council ("the Administering Authority"). The Administering Authority 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 Norfolk Pension Fund Annual Report 2018-19 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

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

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2016 (as amended)

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

The Council has delegated its pension functions to the Pensions Committee. Responsibility for the administration and financial management of the Fund has been delegated to the Executive Director of Finance and Commercial Services.

The Pension Committee is responsible for the strategic management of the assets of the Fund and the administration of benefits. The Committee meets quarterly in order to:

- Ensure compliance with legislation and best practice
- Determine policy for the investment, funding and administration of the Fund
- Monitor performance across all aspects of the service
- Consider issues arising and make decisions to ensure efficient and effective performance and service delivery
- Appoint and monitor advisors

- Ensure that arrangements are in place for consultation with stakeholders as necessary

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 Norfolk 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

There are currently 400 employer organisations with active members in the Norfolk Pension Fund including Norfolk County Council as detailed below. This is an increase of 31 employers since 31 March 2018.

	31 March 2018	31 March 2019
Number of Employers with Active Members	369	400
Full membership including employers with deferred and legacy pension commitments		
Number of Employees in Scheme		
Norfolk County Council	12,869	12,443
Other Employers	15,968	16,624
Total	28,837	29,067
Number of Pensioners		
Norfolk County Council	12,565	13,052
Other Employers	11,646	12,302
Total	24,211	25,354
Deferred Pensioners		
Norfolk County Council	20,550	20,130
Other Employers	15,970	16,817
Total	36,520	36,947
Total Members membership including employers with deferred and legacy pension commitments	89,568	91,368

The movement in employer numbers is due to the following employers leaving or joining the Fund during the financial year:

Employers ceasing to have active employees in the Fund:	Employers joining the active section of the Fund:
<ol style="list-style-type: none"> 1. Citizens Advice - Mid Norfolk 2. Great Yarmouth Racecourse Ltd 3. Marlingford and Colton Parish Council 4. Stonham 5. The Matthew Project 6. Trafalgar College 	<ol style="list-style-type: none"> 1. Ad Meliora Academy Trust 2. Angel Road Infant School 3. Angel Road Junior School 4. Archbishop Sancroft High School 5. Brisley Church of England Primary Academy 6. Broadland High Ormiston Academy 7. Caterlink (College of West Anglia) 8. Chartswell (Iceni Academy) 9. Churchill (Acle Academy) 10. Dickleburgh Church of England Primary Academy 11. Diss Church of England Junior School 12. Diss Infant Academy and Nursery 13. Edwards & Blake (Magdalen Gates Primary) 14. Edwards & Blake (Unity Trust Kings Park) 15. Framingham Earl High School 16. Gayton Church of England Primary Academy 17. Ghost Hill Infant & Nursery School 18. Great and Little Plumstead Parish Council 19. Harleston CE Primary Academy 20. Hethersett Parish Council 21. Hopton Church of England Primary Academy 22. KWEST Multi Academy Trust 23. Litcham School 24. Little Snoring Community Primary Academy 25. Mousehold Infant and Nursery School 26. Nelson Infant School 27. Nightingale Infant & Nursery School 28. North City Children's Centre 29. Norwich Regeneration Limited 30. Old Buckenham High School 31. Raleigh Infant Academy 32. Sandringham And West Newton Church of England Primary Academy 33. St. Clements Hill Primary Academy 34. The Fen Rivers Academy 35. The Yare Education Trust 36. Unity Education Trust 37. Winterton Primary School and Nursery

A full list of participating employers is shown in Appendix I.

c) Funding

Benefits are funded by employee and employer contributions and investment earnings. For the financial year ending 31 March 2019, employee contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of actual pensionable pay.

Banding depends on a member's actual annual pay rate. The table below shows the bands for 2018-19 and 2019-20.

Employee contribution rates are prescribed by the governing regulations and cannot be varied locally. Employers' contributions are set based on triennial actuarial funding valuations.

The March 2016 valuation set the rates payable by employers for the period 1st April 2017 to 31st March 2020. Excluding lump sum deficit recovery payments these rates range from 0% to 35.0% of actual pensionable pay. The 2019 triennial valuation of the Fund is currently in progress and will set the rates for the period 1st April 2020 to 31st March 2023.

Actual Pensionable Pay 2018-19	Contribution rate per year	Actual Pensionable Pay 2019-20	Contribution rate per year
Up to £14,100	5.5%	Up to £14,400	5.5%
£14,101 to £22,000	5.8%	£14,401 to £22,500	5.8%
£22,001 to £35,700	6.5%	£22,501 to £36,500	6.5%
£35,701 to £45,200	6.8%	£36,501 to £46,200	6.8%
£45,201 to £63,100	8.5%	£46,201 to £64,600	8.5%
£63,101 to £89,400	9.9%	£64,601 to £91,500	9.9%
£89,401 to £105,200	10.5%	£91,501 to £107,700	10.5%
£105,201 to £157,800	11.4%	£107,701 to £161,500	11.4%
£157,801 or more	12.5%	£161,501 or more	12.5%

d) Benefits

Pension benefits under the LGPS (until March 2014) were based on final pensionable pay and length of pensionable service. From 1st April 2014 the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th.

	Membership before April 2008	Membership April 2008 to March 2014	Membership from April 2014
Pension	Each year worked is worth $1/80 \times$ final pensionable salary	Each year worked is worth $1/60 \times$ final pensionable salary	1/49 of pensionable pay in each year
Lump Sum	Automatic lump sum of $3 \times$ salary	No automatic lump sum	No automatic lump sum
Additional 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	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	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

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 (RPI) to the consumer prices index (CPI). This change took effect from 1 April 2011. The appropriate index for April 2019 is 2.4% (3% April 2018).

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For details please contact the Fund.

2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2018-19 financial year and its position at year-end as at 31 March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting

in the United Kingdom 2018-19 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, are disclosed in accordance with the requirements of International Accounting Standard (IAS) 26. Full details of this approach are disclosed at note 20 of these accounts.

The accounts have been prepared on the normal accruals basis of accounting other than in respect of transfer values.

Generally, transfer values are prepared on a cash basis. Where a transaction in respect of a transfer out has already been processed through the pensions administration system but not through the accounts payable system a creditor will be shown.

The accounts have been prepared on a going concern basis.

3. Summary of Significant Accounting Policies

Fund Account - Revenue Recognition

a) Contribution income

Employees' normal and additional contributions are accounted for when deducted from pay. Employer contributions are accounted for on the same basis as they are expressed in the Rates & Adjustments certificate to the relevant formal valuation. Employees and employers normal contributions are accounted for on an accruals basis.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in 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 and are

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

Individual transfers in and out are accounted for on a cash basis when received or paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use 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 effective interest rate of the financial instrument as at the date of acquisition or origination.

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

Income 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.

iv) Property-related income

Property-related income consists of rental income and income from pooled property investment vehicles. Income from pooled property investment vehicles is recognised as in iii) above.

v) 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**

The fund discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses 2016.

i) **Administrative expenses**

All administrative expenses are accounted for on an accruals basis. All costs incurred in respect of the administration of the Fund by the Administering Authority are charged to the Fund. These include staff, accommodation and IT costs.

ii) **Oversight and Governance Costs**

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the fund. Associated management and other overheads are apportioned to this activity and charged as expenses to the fund.

iii) **Investment Management Expenses**

All investment management expenses are accounted for on an accruals basis. Fund Manager fees are broadly based on the market value of the assets under management and therefore increase or reduce as the value of these investments change. Fees payable to external investment managers and the custodian are in accordance with the contractual agreements with the Fund.

In addition, the Fund has agreements with the following managers that an element of their fee is performance related:

Manager	Asset Class
Henderson Global Investors	Fixed Income
Baillie Gifford & Co (part year for 2018-19)	UK Equities
M&G	Fixed Income

	2017-18 £000	2018-19 £000
Performance-related fees	481	428

Where an investment managers' fee invoice has not been received by the Net Asset Statement date, an estimate based upon the market value of their mandate as at the end of the year plus any appropriate performance allowance is used for inclusion in the Fund account.

	2017-18 £000	2018-19 £000
Value of fees based on estimates	2,433	3,429

The cost of obtaining investment advice from external consultants, investment performance measurement, governance and voting and custody is included within management expenses under the relevant heading.

Net Assets Statement

g) Financial assets

Financial assets are included in the net assets statement 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 in the Fund Account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the code of practice and IFRS13 (see note 16a). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

h) Freehold and leasehold properties

The direct property holding was valued as at 31 March 2019. The direct property holding is valued every 3 years at the year-end date in line with the triennial valuation of the Fund. The valuation is performed by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition). The next valuation will be as at 31 March 2022.

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 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 as arising. 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. Cash and cash equivalents held with the global custodian (HSBC) are classified as cash deposits within other investment balances. Operational cash balances managed by the Administering Authority's treasury management operations are disclosed as cash in hand within current assets.

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) 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 20).

n) Additional voluntary contributions (AVCs)

The Fund has three appointed providers of AVCs; Prudential, Clerical Medical and Equitable Life (a legacy arrangement that is not open to new contributors).

AVCs are held by the providers and do not form part of the Fund's assets. These amounts are not included in the main Fund accounts in accordance with Regulation 4 (1) (b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (note 23).

Members participating in these arrangements receive an annual statement at 31 March each year showing the amount held in their account and the movements in the year. Contributions are deducted from member salaries by their employer and paid directly to the AVC providers. AVCs may be used to fund additional retirement benefits or to purchase additional life cover at a level higher than that provided by the main scheme.

Upon retirement the value of an individual AVC account may be used in some or all of the following ways depending on the circumstances of the retiring member:

- 1. Buy an annuity from a third party provider**
- 2. Buy an annuity within the LGPS**
- 3. Take some or the entire accumulated AVC fund as cash, if within limits set down in the scheme regulations and by HMRC**
- 4. Under certain specific circumstances buy extra membership within the LGPS (this is a legacy right associated with some members only)**

Accounting Standards issued but not yet adopted

o) The Code of Practice on Local Authority Accounting in the United Kingdom 2018–2019 requires the disclosure of information relating to the expected impact of changes that will be required by a new standard that has been introduced but not yet adopted and applies to the adoption of the following disclosures as amended in the 2019-2020 code:

- IAS 40 - Investment Property: Transfers of Investment Property
- IFRS 12 - Disclosure of Interests in Other Entities
- IAS 28 - Investments in Associates and Joint Ventures
- IFRIC 22 - Foreign Currency Transactions
- IFRIC 23 - Uncertainty over Income Tax Treatments
- IFRS 9 - Financial Instruments: Prepayment features with negative compensation

The code requires implementation of the above disclosure from 1 April 2019 and IFRS 16 Leases from 1 April 2020. These changes are not considered to have a material effect on the Pension Fund accounts of 2018–2019

Contingent Assets and contingent liabilities

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

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

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes.

4. Critical Judgements in Applying Accounting Policies

Unquoted private equity investments

It is important to recognise the subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Norfolk 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. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

Funds managed by HarbourVest are subject to full valuations at 31 March each year. Aberdeen Standard Investments funds are valued at 31 December and rolled forward for cash flows to 31 March.

	2017-18 £000	2018-19 £000
Value of unquoted private equity	194,877	212,928

Pooled Investment Vehicle – Property/Freehold Property

Pooled investment vehicles are valued at closing bid prices 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. Pooled property funds and Limited Partnerships in property have derived underlying assets that have been valued by independent external valuers on a fair value basis and generally in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition). The valuation of freehold property is performed by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition).

	2017-18 £000	2018-19 £000
Value of Pooled Investment Vehicle – Property/Freehold Property	414,779	428,404

Infrastructure Equity Pooled Fund

Investments in Pooled Infrastructure Funds are valued using the fair value of the underlying investments. All assets are valued using a discounted cash flow method. Audited valuation is carried out annually and is based on the Limited partnerships are valued at Fair value based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

	2017-18 £000	2018-19 £000
Value of Infrastructure Equity Pooled Fund	0	59,102

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary. The assumptions underpinning the valuations are agreed with the actuary and are summarised in note 19. In accordance with IAS26 the Fund is also required to disclose on an annual basis the actuarial present value of promised retirement benefits (see note 20). Actuarial methodology used in triennial valuations is different from that used in IAS26, therefore they will produce different liability values at a common valuation date.

The liability estimates in notes 19 and 20 are subject to significant variances based on changes to the underlying assumptions and actual future experience related to the development of pension liabilities.

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

The preparation of financial statements requires the Administering Authority to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgements and uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Item	Uncertainties	Effect if actual results differ from assumptions														
Actuarial present value of promised retirement benefits (measured under IAS26)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm	<p>CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:</p> <table> <thead> <tr> <th>Sensitivity to the assumptions for the year ended 31 March 2019</th> <th>Approximate % increase to liabilities</th> <th>Approximate monetary amount (£m)</th> </tr> </thead> <tbody> <tr> <td>0.5% p.a. increase in the Pension Increase Rate</td> <td>8%</td> <td>£471m</td> </tr> <tr> <td>0.5% p.a. increase in the Salary Increase Rate</td> <td>1%</td> <td>£81m</td> </tr> <tr> <td>0.5% p.a. decrease in the Real Discount Rate</td> <td>10%</td> <td>£585m</td> </tr> </tbody> </table>	Sensitivity to the assumptions for the year ended 31 March 2019	Approximate % increase to liabilities	Approximate monetary amount (£m)	0.5% p.a. increase in the Pension Increase Rate	8%	£471m	0.5% p.a. increase in the Salary Increase Rate	1%	£81m	0.5% p.a. decrease in the Real Discount Rate	10%	£585m		
Sensitivity to the assumptions for the year ended 31 March 2019	Approximate % increase to liabilities	Approximate monetary amount (£m)														
0.5% p.a. increase in the Pension Increase Rate	8%	£471m														
0.5% p.a. increase in the Salary Increase Rate	1%	£81m														
0.5% p.a. decrease in the Real Discount Rate	10%	£585m														

Item	Uncertainties	Effect if actual results differ from assumptions
	of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	
Private Equity	Private equity investments are valued at fair value in accordance with appropriate standards and guidance. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	<p>The total private equity investments in the financial statements are £212.9million. There is a risk that this investment may be under or overstated in the accounts.</p> <p>Generally, these investments are valued a minimum of a quarter in arrears. The final valuations received to date at 31st March 2019 indicate an unadjusted increase in asset values of £10.1m.</p>
Pooled Property/Freehold Property	Pooled investment vehicles are valued at closing bid prices if both bid and offer prices are published; or if single priced, at the closing single	The total pooled property/freehold property investments in the financial statements are £428.4m. There is a risk that this investment may be under or overstated in the accounts.

Item	Uncertainties	Effect if actual results differ from assumptions
	<p>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. For freehold property the valuation is performed by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition).</p>	
Pooled Infrastructure Equity	Investments in Pooled Infrastructure Funds are valued using the fair value	The total Pooled Infrastructure Equity investments in the financial statements are £59.1m. There is a risk that this investment may be under or overstated in the accounts.

Item	Uncertainties	Effect if actual results differ from assumptions
	of the underlying investments. All assets are valued using a discounted cash flow method. Audited valuation is carried out annually and is based on the Limited partnerships are valued at Fair value based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.	

6. Events after the Net Asset Statement Date

Transition Arrangements Age Discrimination

A legal ruling has been made regarding age discrimination arising from public sector pension scheme transition arrangements. Court of Appeal judgements were made in cases affecting judges pensions (e.g. McCloud) and firefighter pensions (e.g. Sergeant) which had previously been considered by employment tribunals. The rulings have implications for the Local Government Pension Scheme since similar reforms were implemented.

Post the balance sheet date the UK Government's application for leave to appeal to the Supreme Court was refused. The refusal of the application for leave to appeal enabled the Government Actuary Department (GAD) to develop an estimation technique and this has been made available by GAD. The Fund's actuary has adjusted

GAD's estimate to better reflect the Norfolk Pension Fund's local assumptions, particularly salary increases and withdrawal rates. The revised estimate as it applies to total liabilities (i.e. the increase in active members' liabilities expressed in terms of total membership) could be 0.4% higher as at 31 March 2019, an increase of approximately £10m. The estimated increase in liabilities is reflected in note 20.

7. Contributions Receivable

By Category

2017-18 £000	2018-19 £000
114,776 Employers – normal	113,532
736 Employers – special	870
103 Employers – augmentation	15
2,746 Employers – strain	3,105
28,138 Members – normal	28,991
648 Members – purchase of additional scheme benefits	714
147,147	147,227

Employer Normal contributions include deficit recovery Contributions as shown below. Where applicable the actuarial certification of the employers' contribution rate includes an element in respect of deficit funding estimated to recover the deficit on that employers section of the Fund over an agreed period.

2017-18 £000	2018-19 £000
36,323 Deficit recovery contribution included in employers normal contributions	32,310
36,323	32,310

Special contributions represent amounts paid by employers in excess of the minimum contribution levels required by the Actuary (in the Rates and Adjustment Certificate to the applicable triennial valuation) and to termination settlements agreed by scheduled bodies ceasing participation in the Fund. They do not relate to augmentation and strain arising on non ill-health early retirements.

Pension benefits are funded to be paid from normal retirement age. If any employee is allowed to take their pension benefits early this places an additional cost (strain) on the Pension Fund. Employers are required to reimburse the Pension Fund in respect of the “strain costs” arising from an employee taking early retirement. In some cases the cost can be paid in full at the date of retirement or by instalments over 3 years in which case interest is added.

By Authority

2017-18 £000	2018-19 £000
56,443 Administering authority	57,381
60,750 Other scheduled bodies	63,772
11,157 Community admission bodies	8,021
2,633 Transferee admission bodies	2,345
16,164 Resolution bodies	15,708
147,147	147,227

The LGPS provides scope for employers to award additional years of membership on retirement. If an employer opts to award augmented membership, the employer is required to purchase the additional period from the Pension Fund. Again in some cases the cost can be paid in one instalment or over 3 years with an appropriate interest adjustment.

The outstanding instalments due after 31 March were:

2017-18 £000	2018-19 £000
434 Strain instalments due after the Net Asset Statement date	136
434	136

The debtors figure for augmentation/strain due in note 21 comprises the total of these balances plus the outstanding invoiced balances in respect of augmentation/strain due from Fund employers at 31 March 2019.

8. Transfers In From Other Pension Funds

2017-18 £000	2018-19 £000
0 Group transfers	4,614
11,637 Individual transfers	9,722
11,637	14,336

The group transfers figure in 2018-19 represent the transfer in of staff from the Cambridgeshire Pension Fund in respect of Norwich City Council. The individual transfers figure represents the payments received by the Fund in relation to individual members' transfers of benefit into the Fund from other pension arrangements.

With effect from 1 April 2005 the Magistrates Courts Service (a body participating in the Norfolk Pension Fund) became part of the civil service. Terms have been agreed for the transfer of liabilities from all Local Government Pension Schemes (LGPS) to the Principal Civil Service Scheme (PCSPS).

Each affected LGPS Fund's actuary has determined the value of the pensioner and deferred liabilities remaining with the LGPS and calculated the requirement for sufficient retained assets to match these liabilities.

The Actuary has determined that there are insufficient assets to cover the remaining liabilities so a balancing payment is required to the Fund by the Civil Service (Her Majesty's Courts Service), spread over ten annual instalments.

2017-18 £000	2018-19 £000
4,061 HMCS total present value	2,757
4,061	2,757

The discounted value of the outstanding cash flows is included in debtor balances at the year-end. As the payment is being made direct by the sponsoring government department rather than from the PCSPS (a registered pension scheme), the income has been classified as employer special contributions.

9. Benefits Payable

By Category

2017-18 £000	2018-19 £000
108,295 Pensions	115,356
23,602 Commutation and lump sum retirement benefits	20,445
2,417 Lump sum death benefits	2,834
134,314	138,635

By Authority

2017-18 £000	2018-19 £000
62,960 Administering authority	65,101
49,521 Other scheduled bodies	50,929
6,158 Community admission bodies	6,058
3,364 Transferee admission bodies	3,867
12,311 Resolution bodies	12,680
134,314	138,635

10. Payments To and On Account of Leavers

2017-18 £000	2018-19 £000
368 Group Transfers	0
360 Refunds to members leaving service	534
6,978 Individual transfers	6,361
0 Payment made under Regulations 74, 75 and 15(3) and 64 of the Local Government Pension Scheme (Administration) Regulations 2008/2018.	54
7,706	6,949

There were no Group Transfers paid out in 2018-19. The 2017-18 Group Transfers figure is made up of one transfer in respect of Norfolk County Council.

11. Management Expenses

Pension fund management expenses for 2018-19 are accounted for in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

Note 11 Management Expenses now includes fund administration costs, oversight and governance costs (previously included with the fund administration cost figure) and investment management expenses (including Transaction Costs previously included in investment Purchases and Sales).

2017-18 £000	2018-19 £000
1,749 Administrative costs	1,858
15,748 Investment management expenses	17,960
495 Oversight and governance costs	816
17,992	20,634

The Local Government Pension Scheme Regulations enables administration expenses (including Oversight and Governance) to be charged to the Fund.

11a. Investment Expenses

2017-18 £000	2018-19 £000
12,505 Management fees – ad valorem	15,266
481 Management fees – performance	428
1,168 Management expenses on unit trusts	1,172
0 Direct Property	1
72 Custody fees	71
820 Fees and Other Expenses	498
702 Transaction Costs	524
15,748	17,960

12. Investment Income

	2017-18 £000	2018-19 £000
134 Income from fixed interest securities		346
21 Income from index linked securities		37
23,553 Equity dividends		21,333
13,647 Pooled Property investments		14,151
12,486 Pooled fund income - unit trusts and other managed funds		22,786
2,732 Private equity income		1,302
7,527 Pooled funds rebate		7,341
161 Stock lending		230
505 Interest on cash deposits		1,106
36 Rents from Property (note 12a)		36
29 Other		70
60,831		68,738

12a. Property Income

	2017-18 £000	2018-19 £000
36 Rental income		36
0 Direct operating expenses		-1
36 Net income		35

13. Other Fund Disclosures

13a. Taxes on Income

	2017-18 £000	2018-19 £000
422 Withholding tax - equities		448
67 Withholding tax – pooled investments		59
489		507

13b. External Audit costs

	2017-18 £000	2018-19 £000
25 Payable in respect of external Audit		25
25		25

14. Investments

Market Value 31 March 2018 £000	Market Value 31 March 2019 £000
Investment assets	
60,150 Fixed Interest Securities	62,784
796,781 Equities	594,826
2,016,462 Pooled Investments	2,450,696
414,335 Pooled property investments	427,934
194,877 Private equity Partnerships	212,928
444 Property	470
4,814 Derivatives - futures	36
2,882 Derivatives – forward currency	1,804
90,787 Cash deposits	73,338
3,433 Amounts receivable for sales	406
3,584,965 Total investment assets	3,825,222
Investment liabilities	
-96 Derivatives - futures	-1,655
-1,502 Derivatives - forward currency	-1,334
-3,458 Amounts payable for purchases	0
-5,056 Total investment liabilities	-2,989
3,579,909 Net investment assets	3,822,233

14a. Reconciliation of Movements in Investments and Derivatives 2018-19

	Market value 31 March 2018 £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 2019 £000
Fixed Interest Securities	60,150	377	0	2,257	62,784
Equities	796,781	475,997	-720,788	42,836	594,826
Pooled investments	2,016,462	1,277,590	-928,317	84,961	2,450,696
Pooled property investments	414,335	59,220	-48,847	3,226	427,934
Private equity	194,877	36,806	-60,782	42,027	212,928
Property	444	0	0	26	470
	3,483,049	1,849,990	-1,758,734	175,333	3,749,638
Derivative contracts:					
- Futures	4,718	15,386	-13,087	-8,636	-1,619
- Forward currency contracts	1,380	106,305	-80,806	-26,409	470
	6,098	121,691	-93,893	-35,045	-1,149
Other investment balances:					
- Cash deposits	90,787				73,338
- Amount receivable for sales of investments	3,433			1,958	406
- Amount payable for purchases of investments	-3,458				0
Net investment assets	3,579,909			142,246	3,822,233

14a. Reconciliation of Movements in Investments and Derivatives 2017-18

	Market value 31 March 2017 £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 2018 £000
Fixed Interest Securities	0	121,394	-60,379	-865	60,150
Equities	985,776	555,916	-771,492	26,581	796,781
Pooled investments	1,781,230	1,042,972	-849,356	41,616	2,016,462
Pooled property investments	373,430	35,461	-19,107	24,551	414,335
Private equity	205,619	38,057	-67,569	18,770	194,877
Property	444	0	0	0	444
	3,346,499	1,793,800	-1,767,903	110,653	3,483,049
Derivative contracts:					
- Futures	0	16,084	-3,005	-8,361	4,718
- Forward currency contracts	2,371	103,888	-121,403	16,524	1,380
	2,371	119,972	-124,408	8,163	6,098
Other investment balances:					
- Cash deposits	60,823			-3,807	90,787
- Amount receivable for sales of investments	316				3,433
- Amount payable for purchases of investments	-607				-3,458
Net investment assets	3,409,402			115,009	3,579,909

Transaction costs are included in the cost of purchases and in sale proceeds. These include costs charged directly to the Fund, such as fees, commissions, stamp duty and other fees. In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

Transaction costs incurred during 2018-19	£524,000
Transaction costs incurred during 2017-18	£702,000

14b. Analysis of Investments

31 March 2018 £000	31 March 2019 £000
Fixed Interest Securities	
UK	
60,150 Quoted	62,784
60,150	62,784
Equities	
271,626 UK Quoted	35,474
525,155 Overseas Quoted	559,352
796,781	594,826
Pooled Funds - additional analysis	
UK	
830,490 Unit trusts	256,591
253,675 Unitised insurance policies	218,099
730,350 Other managed funds	1,649,531
1,814,515	2,124,221
Overseas	
201,947 Unit trusts	148,096
0 Other managed funds	178,379
201,947	326,475

31 March 2018 £000	31 March 2019 £000
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Pooled and Freehold Property, Private Equity and Derivatives

414,335	Pooled property investments	427,934
194,877	Private equity	212,928
444	Direct Property	470
4,814	Derivatives - futures	36
2,882	Derivatives - forward currency	1,804
617,352		643,172

Other Investment Balances

90,787	Cash deposits	73,338
3,433	Amounts receivable for sales	406
94,220		73,744

3,584,965	Total investment assets	3,825,222
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Investment liabilities

-96	Derivatives - futures	-1,655
-1,502	Derivatives - forward currency	-1,334
-3,458	Amounts payable for purchases	0
-5,056	Total investment liabilities	-2,989
3,579,909	Net investment assets	3,822,233

14c. Investments Analysed by Fund Manager

Market Value 31 March 2018			Market Value 31 March 2019	
£000	%		£000	%

Investments Managed by the ACCESS Pool (Link Asset Services)

0	0.00%	LF ACCESS UK Equity Core Fund	258,069	6.75%
0	0.00%	LF ACCESS Global Equity (ex UK) Fund	608,719	15.92%
0.00	0.00		866,788	22.67%

Investments Managed outside of the ACCESS Pool

500,312	13.99%	Janus Henderson Global Investors	513,424	13.43%
391,063	10.92%	Capital International Limited	461,951	12.09%
429,336	11.99%	LaSalle Investment Management***	449,825	11.77%
416,936	11.65%	M&G	428,316	11.21%
252,667	7.06%	UBS	255,526	6.69%
229,832	6.42%	Wellington International	234,527	6.14%
145,879	4.07%	HarbourVest Partners	175,154	4.58%
59,052	1.65%	Insight Investment **	163,362	4.27%
201,947	5.64%	Goldman Sachs Asset Management	148,096	3.87%
0	0.00%	Equitix	59,102	1.55%
54,182	1.51%	Global Custodian*	43,751	1.14%
48,997	1.37%	Aberdeen Standard Investments****	39,205	1.03%

Market Value 31 March 2018			Market Value 31 March 2019	
£000	%		£000	%
1,008	0.03%	Legal & General Investment Management	1,065	0.03%
255,910	7.15%	Baillie Gifford & Co	117	0.00%
599,347	16.74%	Fidelity	12	0.00%
1,608	0.04%	Berenberg Bank**	0	0.00%
-8,168	-0.23%	Goldman Sachs International	-17,988	-0.47%
3,579,908	100.00%		2,955,455	77.33%
3,579,908	100.00%		3,822,233	100.00%

All the above companies are registered in the United Kingdom.

* The assets held by the Global Custodian(s) represent cash held in money market funds primarily to meet the cash flow requirements of the Fund's private markets programme.

**Currency hedging contracts in respect of the Fund's overseas equity holdings are reported in the Insight Investment and Berenberg Bank holdings. The market value of the contracts could represent a payable or receivable. The Insight Investment holding includes the Fixed Interest Securities (Gilts).

***Previously Aviva Investors.

****Previously SL Capital Partners.

The following Investments Representing More Than 5% of the Net Assets of the Scheme

Security	Market	Market	Market	Market
	Value			
	31 March	of total	31 March	of total
	2018	fund	2019	fund
	£000	%	£000	%
LF ACCESS Global Equity ex UK A INC	0	0.0	608,719	16.0
M&G Alpha Opportunities Fund	348,881	9.7	352,742	9.3
Link Fund Sol Ltd Access Uk Equity Core A Inc	0	0.0	258,069	6.8
UBS Life UK Equity Tracker	252,667	7.0	255,526	6.7
Henderson Managed Multi Asset Credit Fund GBP Acc	160,526	4.5	219,770	5.8
Goldman Sachs Global Strategic Income Bond Portfolio (SIF)	201,947	5.6	148,096	3.9
Fidelity Institutional Exempt America Fund	192,735	5.4	0	0.0
Fidelity Institutional Europe Fund	185,874	5.2	0	0.0

During the year there were no individual investment (a single security) exceeding 5% of the total value of the net assets. Five pooled holdings (five in 2017-18) represent over 5% of the total value of the net assets of the scheme. Each holding is a pooled investment vehicle and comprises the following:

- As at 31 March 2019 the LF ACCESS Global Equity ex UK A INC fund held 200 stocks.
- As at 31 March 2019 the M&G Alpha Opportunities Fund has 442 (391) positions, across 353 (261) issuers.
- As at 31 March 2019 the Link Fund Sol Ltd Access UK Equity Core A Inc fund held 58 stocks.
- At 31 March 2019 the Janus Henderson Multi Asset Credit Fund held 239 (242) individual issues from 200 issuers (185).
- At 31 March 2019 the UBS Life UK Equity Tracker Fund held 653 securities (661 securities as at 31 March 2018).

The UBS investment is a unit linked contract of long term insurance ("the policy") issued by UBS Asset Management Life Ltd ("UBS Life"). Units in the range of pooled investment funds operated by UBS Life ("Life Funds") are allocated to the Policyholders. The value of the units in a Life Fund are directly linked to the assets legally and beneficially owned by UBS Life and held in that Life Fund. Such units may be surrendered and their value realised in accordance with the conditions applying to the

Policy (including at UBS Life's discretion, by a transfer of assets in specie). The underlying assets are predominantly quoted investments which are listed or admitted to trading on a stock exchange (or similar public market) and may also include uninvested cash and derivatives. The policy falls within Class III of Part II of Schedule 1 to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, and is not a "with profits" contract.

14d. Stock Lending

	31 March 2018 £000	31 March 2019 £000
Value of quoted equities on loan	109,147	98,237
Value of un-quoted equities on loan	0	0
Fair value of collateral held by Custodian	115,762	104,651
Collateral relative to stock on loan (percentage coverage)	106%	107%

Stock Lending is a programme of lending eligible securities, such as domestic and overseas equities, corporate bonds, and sovereign government securities, from the portfolios of participating clients to approved borrowers, in return for a fee. The Fund's stock lending programme is managed by the Global Custodian (HSBC).

All loans are fully collateralised with government securities, bank letters of credit, certificates of deposit or UK equities settled in CREST. HSBC provides certain additional indemnifications as part of the lending agreement with them, to protect the Fund in the event of a borrower default coupled with a collateral shortfall relative to the defaulting position.

The maximum value of stock that may be on loan is £150m and an individual borrower limit (applied at the parent borrower level) of £50m is applied.

The following table provides an analysis of the securities on loan at 31 March:

Asset Type	Value on loan at 31 March	Value on loan at 31 March
	2018 £000	2019 £000
UK Equities	46,217	1,999
Overseas Equities	62,929	96,238

At 31 March 2019, securities were on loan to 12 (10 2018) separate borrowers representing 12 (10 2018) parent groups. The largest single parent exposure was 51% (23% 2018) of the lending programme.

14e. Property Holdings

Details of the Funds directly owned properties are as follows:

Year Ending 31 March 2018 £000	Year Ending 31 March 2019 £000
444 Opening balance	444
0 Additions	0
0 Disposals	0
0 Net increase in market value	26
0 Other changes in fair value	0
444 Closing balance	470

There are no restrictions on the realisability of the property or the remittance of income or proceeds on disposal and the Fund is not under any contractual obligations to purchase, construct or develop the property. Nor does it have any responsibility for any repairs, maintenance or enhancements.

15. Analysis of Derivatives

Objectives and policies for holding derivatives

The holdings in derivatives are to hedge exposures to reduce risk in the Fund. The use of derivatives is managed in line with the investment management agreements between the Fund and the investment managers holding mandates that permit the use of these instruments.

a) Futures

Futures contracts are exchange traded contracts to buy or sell a standard quantity of a specific asset at a pre-determined future date. The economic exposure represents the notional value of stock purchased under futures contracts and is therefore subject to market movements.

The Fund has also authorised the use of futures by Henderson to assist in meeting the investment objectives that they have been set. Henderson did not hold any futures contracts in its portfolio at 31 March 2019 (2018 nil).

b) Forward foreign currency

In order to maintain appropriate diversification and to take advantage of overseas investment opportunities, a significant proportion of the Fund's quoted equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the Fund has a currency hedging programme in place. The hedging programme is managed between two currency managers, Berenberg Bank and Insight Investment.

The Fund also requires LaSalle (previously Aviva) to hedge 100% of the currency exposure arising from its discretionary (off-benchmark) investments in global (ex-UK) property funds. This hedging activity covers US Dollar, Euro, Yen and Australian Dollar exposures.

In addition to these mandate positions short term contracts may also arise in portfolios investing in non-Sterling denominated assets as a consequence of the need to settle transactions in foreign currencies. These tend to be shorter term contracts than those undertaken for other purposes but settlement may span the balance sheet date.

15a. Futures

Outstanding exchange traded futures contracts are as follows:

Type	Expires	Economic Exposure £000	Market Value 31		Market Value 31	
			March 2018 £000	Economic Exposure £000	March 2019 £000	Market Value 31 £000
Assets						
UK Equity	Less than 1 year	54,270	951	0	0	0
Overseas Equity	Less than 1 year	81,590	3,863	8,830	36	
Total assets			4,814			36
Liabilities						
UK Equity	Less than 1 year	0	0	-34,327	-795	
Overseas Equity	Less than 1 year	-14,957	-96	-56,681	-860	
Total liabilities			-96			-1,655
Net futures			4,718			-1,619

There is £8.2m in respect of initial and variation margins arising on open futures contracts at the year-end included within cash balances (2018 £11.6m).

15b. Open forward currency contracts

Settlement	Currency bought	Local value 000	Currency sold	Local value 000	Asset value £000	Liability value £000
Up to one month	£	16,571	AUD	-29,650	416	0
Up to one month	£	24,713	EUR	-27,593	922	0
Up to one month	£	0	JPY	0	0	0
Up to one month	£	2,601	\$	-3,354	30	0

Settlement	Currency bought	Local value '000	Currency sold	Local value '000	Asset value £000	Liability value £000
Up to one month	EUR	0	£	0	0	0
Up to one month	JPY	0	£	0	0	0
Up to one month	\$	0	£	0	0	0
Between one & three months	£	56,821	EUR	-65,940	0	-121
Between one & three months	£	54,498	JPY	-8,000,000	0	-1,064
Between one & three months	£	0	\$	0	0	0
Between one & three months	JPY	8,000,000	£	-55,125	437	0
Between one & three months	\$	38,680	£	-33,552	0	-150
Open forward currency contacts at 31 March 2019					1,805	-1,335
Net forward currency contracts at 31 March 2019						470
Prior year Comparative						
Open forward currency contacts at 31 March 2018					2,882	-1,502
Net forward currency contracts at 31 March 2018						1,380

At the 31 March 2019, the fund held £0.0m (£2.6m 2018) cash collateral posted against gains on its Forward foreign currency contracts with Berenberg Bank. The collateral is held in a separate account and is not included in the Revenue Account or Net Asset Statement. Following financial market regulation changes during 2017-18 the Fund uses

its segregated fixed Interest securities holding (£62.8M) as a collateral pool against the notional gains and losses on the Insight Investment currency contracts.

Contracts with a common underlying currency profile and similar maturity profile have been amalgamated for the purpose of disclosure. A key to the currencies referred to in the table is provided below:

Symbol / Acronym	Currency
£	British pound (Sterling)
\$	United States dollar
AUD	Australian dollar
EUR	Euro
JPY	Japanese yen

16. Fair Value – Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Equities	Level 1	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.	Not required	Not required
UK Gilts and Quoted Bonds	Level 1	Fixed interest securities are valued at a market value based on current yields.	Not required	Not required
FX	Level 1	Market forward exchange rates at the year-end.	Exchange rate risk	Not required
Equity Futures	Level 1	Published exchange prices at year end.	Not required	Not required
Pooled Investment Vehicle – Equity and Debt	Level 2	Valued at closing bid prices 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.	The valuation is undertaken by the investment manager or responsible entity and advised as a unit or security price. Observable inputs are used. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.	Not required

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled Investment Vehicle - Property	Level 3	Pooled investment vehicles are valued at closing bid prices 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.	Investments in unquoted property pooled funds are valued at the net asset value or a single price advised by the fund manager.	Valuations could be affected by Material events.
Freehold Property	Level 3	The valuation is performed by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition)	Existing lease terms and rentals; Independent market Research; Nature of tenancies; Covenant strength for existing tenants; Assumed vacancy Levels; Estimated rental Growth; Discount rate.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices.

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Private Equity	Level 3	<p>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 appropriate industry guidelines.</p>	<p>Observable inputs are subject to judgment by the respective manager but are applied in accordance with the appropriate industry guidelines.</p>	<p>Valuations could be affected by Material events occurring between the date of the financial statements provided and the Pension fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts.</p>
Infrastructure Equity Pooled Fund	Level 3	<p>Investments in Pooled Infrastructure Funds are valued using the fair value of the underlying investments.</p> <p>All assets are valued using a discounted cash flow method. Audited valuation is carried out annually and is based on the</p>	<p>Observable inputs are subject to judgment by the respective manager but are applied in accordance with the appropriate industry guidelines.</p>	<p>Valuations could be affected by Material events occurring between the date of the financial statements provided and the Pension fund's own</p>

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Delisted securities		<p>Limited partnerships are valued at Fair value based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.</p> <p>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.</p>		<p>reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts.</p>
Securities subject to takeover		<p>Securities subject to takeover offer - the value of the consideration offered under the offer, less estimated realisation costs.</p>		

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2019.

Description of Asset	Assessed Valuation Range (+/-)	Value at 31 March 2019 £'000	Value on Increase £'000	Value on Decrease £'000
Pooled Property/Freehold Property	10%	428,404	471,245	385,564
Private Equity	15%	212,928	244,867	180,989
Pooled Infrastructure Equity	15%	59,102	67,967	50,236
Net Investment Assets		700,434	784,079	616,789

The potential movement of +/- 10% for Pooled Property/Freehold Property represents a combination of factors, the key one is market prices, which is derived from other factors, such as vacancy levels, rental movements and the discount rate.

Private Equity and Pooled Infrastructure Equity unrealised investments are typically valued in accordance with fair market value principles set out in the valuation policy and applicable valuation guidelines set out in international accounting standards. Actual realized returns on unrealised investments will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs, and the timing and manner of sale. Accordingly, the actual valuations on these unrealized investments may differ materially from those indicated and could be up to 15% (or higher or lower).

16a. Fair Value Hierarchy

The valuation of financial instruments has been classified into three levels, according to the quality 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 or liabilities.

Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at 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 valuation techniques are used to determine fair value and where these 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 fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

Private Equity

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Norfolk 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.

Pooled Property

The values of the investment in private real estate are based on valuations provided by the underlying funds in which the Norfolk Pension Fund has invested. These underlying real estate valuations are generally prepared on an independent basis in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards, which are consistent generally with IFRS. Valuations are usually undertaken on a quarterly basis.

Freehold Property

The direct property holding is valued every 3 years at the year-end date in line with the triennial valuation of the Fund. The valuation is performed by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition).

Infrastructure Equity Pooled Fund

Investments in Pooled Infrastructure Funds are valued using the fair value of the underlying investments. All assets are valued using a discounted cash flow method.

Audited valuation is carried out annually and is based on the Observable inputs are subject to judgment by the respective manager, but are applied in accordance with the appropriate industry guidelines.

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:

Fair Value Hierarchy

Values at 31 March 2019	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	659,451	2,391,593	699,964	3,751,008	
Non-Financial assets at fair value through profit and loss	0	0	470	470	
Financial Liabilities					
Financial liabilities at fair value through profit and loss	-2,989	0	0	-2,989	
Net Investment Assets	656,462	2,391,593	700,434	3,748,489	

Values at 31 March 2018	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	864,627	2,016,462	609,212	3,490,301	
Non-Financial assets at fair value through profit and loss	0	0	444	444	
Financial Liabilities					
Financial liabilities at fair value through profit and loss	-1,598	0	0	-1,598	
Net Investment Assets	863,029	2,016,462	609,656	3,489,147	

16b. Transfers between Levels 1 and 2

There were no transfers between Level 1 and 2 in 2018-19. During the year one new investment was made and classified as level 3 in accordance with the classification guidelines in the Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

16c. Reconciliation of Fair Value Measurements within Level 3

	Market value 1 April 2018 £'000	Transfers into Level 3 £'000	Transfers out of Level 3 £'000	Purchases during the year and derivative payments £'000	Sales during the year and derivative receipts £'000	Realised gains/(losses) £'000	Unrealised gains/(losses) £'000	Market value 31 March 2019 £'000
Pooled and Freehold Property Investments	414,779	0	0	59,220	-48,847	18,106	-14,854	428,404
Private Equity	194,877	0	0	36,806	-60,782	31,380	10,647	212,928
Infrastructure Equity Pooled Fund	0	0	0	59,102	0	0	0	59,102
	609,656	0	0	155,128	-109,629	49,486	-4,207	700,434

Unrealised and realised gains and losses are recognised in the changes in value of investments line of the fund account.

17. Financial Instruments

17a. Financial Instruments – Classification

Fair value through profit and loss £000	31-Mar-18	Liabilities		Fair value through profit and loss £000	31-Mar-19	Liabilities	
	Assets amortised at cost £000	at amortised cost £000	Assets amortised at cost £000		Assets amortised at cost £000	at amortised cost £000	Assets amortised at cost £000
Financial assets							
60,150			Fixed Interest Securities	62,784			
796,781			Equities	594,826			
2,016,462			Pooled Investments	2,450,696			
414,335			Pooled Property	427,934			
194,877			Private equity	212,928			
7,696			Derivative contracts	1,840			
101,221			Cash		86,374		
8,102			Other investment balances	2,771			
	127		Debtors			162	
3,498,403	101,348	0			3,753,779	86,536	0
Financial liabilities							
-1,598			Derivative contracts	-2,989			
	-4,736		Creditors			-40,536	
-3,458			Other Investment Balances	0			
-5,056	0	-4,736			-2,989	-40,536	
3,493,347	101,348	-4,736			3,750,790	86,536	-40,536

17b. Net Gains and Losses on Financial Instruments

31 March 18	31 March 19
£000	£000
Financial assets	
234,981	Fair value through profit and loss
0	Assets amortised at cost
Financial liabilities	
-119,972	Fair value through profit and loss
0	Liabilities at amortised cost
115,009	Total
142,220	

Reconciliation to Revenue and Fund Account -
Profit and losses on disposal of investments and
changes in the market value of investments

0	Hamlin Way - Not classified as a financial instrument	26
		142,246

In accordance with our accounting policies, financial assets and liabilities are included in the accounts on a fair value basis. The Authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

18. Nature and Extent of Risks Arising from Financial Instruments

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. As there is an essential contradiction in these two aims the investment strategy aims to achieve an acceptable overall balance between "risk and reward". The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's

forecast cash flows. The Fund manages these investment risks as part of its overall risk management programme.

Responsibility for the Fund's risk management and investments strategies rests with the Pension Fund 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.

18a. 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 objectives of the Fund's risk management strategy are to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return at a given level of 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.

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 investment presents 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 but restrictions are in place on managers undertaking this activity.

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's investment strategy.

Other Price Risk - Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's performance monitoring advisor, the Fund has determined that the following movements in market price risk are reasonably possible for the 2018-19 reporting period:

Asset Type	Potential Market Movements (+/-) %
Short Index-Linked Gilts	4.10%
Long Index-Linked Gilts	9.20%
UK Equities including pooled	16.60%
Overseas Equities including pooled	16.90%
Infrastructure Equity	20.10%
UK Bonds including pooled	9.70%
Index Linked Gilts including pooled	9.20%
Bonds including pooled	7.70%
Cash and Cash Equivalents (Including Payables and Receivables)	0.50%
Pooled Property Investments	14.30%
Private Equity	28.30%
Total	10.80%*

* The total % and value on increase/decrease totals are an aggregate across all asset classes and is applied to the assets in the Fund available to pay pensions benefits to illustrate sensitivity.

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the Fund's investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is also shown below):

Asset Type	Value as at 31 March 2019 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash and Cash Equivalents including payables and receivables	72,595	0.50%	72,958	72,232
Investment Portfolio Assets:				
Short Index-Linked Gilts	15,686	4.10%	16,329	15,043
Long Index-Linked Gilts	12,109	9.20%	13,223	10,995
UK Equities including pooled	549,070	16.60%	640,216	457,924
Overseas Equities including pooled	1,168,070	16.90%	1,365,474	970,666
Infrastructure Equity	59,102	20.10%	70,982	47,222
UK Bonds including pooled	759,875	9.70%	833,583	686,167
Index Linked Gilts including pooled	34,989	9.20%	38,208	31,770
Bonds including pooled	509,405	7.70%	548,629	470,181
Pooled Property Investments	428,404	14.30%	489,666	367,142
Private Equity	212,928	28.30%	273,187	152,669
Total Assets Available to Pay Benefits	3,822,233	10.80%	4,235,034*	3,409,432*

Asset Type	Value as at 31 March 2018 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash and Cash Equivalents including payables and receivables	96,860	0.05%	96,908	96,812
Investment Portfolio Assets:				
Short Index-Linked Gilts	15,467	4.10%	16,101	14,833
Long Index-Linked Gilts	11,522	9.20%	12,582	10,462
UK Equities including pooled	534,850	16.80%	624,706	444,996
Overseas Equities including pooled	1,124,503	17.90%	1,325,789	923,217
UK Bonds including pooled	795,308	9.50%	870,862	719,754
Index Linked Gilts including pooled	170,567	9.20%	186,259	154,875
Bonds including pooled	221,176	8.40%	239,755	202,597
Pooled Property Investments	414,779	14.30%	474,092	355,466

Asset Type	Value as at 31 March 2018 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Private Equity	194,877	28.30%	250,027	139,727
Total Assets Available to Pay Benefits	3,579,909	9.30%	3,912,841*	3,246,977*

* The total % is an aggregate across all asset classes and is applied to the assets in the Fund available to pay pensions benefits to illustrate sensitivity.

The comparator data for 2017-18 in the table above has been represented to reflect a revised value on increase/decrease total.

18b 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 direct exposure to interest rate movements through its gross cash holdings as at 31 March 2018 and 31 March 2019 is set out below. These disclosures present interest rate risk based on the underlying financial assets:

Asset Type	Value as at 31 March 2018 £000	Value as at 31 March 2019 £000
Investment Cash Balances	90,787	73,338
Cash in hand	10,434	13,036
Fixed Interest Securities	60,150	62,784
Total	161,371	149,158

Asset Type	Interest Receivable 31 March 2018 £000	Interest Receivable 31 March 2019 £000
Investment Cash Balances	477	1,033
Cash in hand	28	73
Fixed Interest Securities	154	383
Total	659	1,489

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. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied by the Administering Authority when considering risk in its own treasury management activities.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS (1%) change in interest rates:

Asset Type	Asset values at 31		
	March 2019 £000	Impact of +1% £000	Impact of -1% £000
Investment Cash Balances	73,338	74,071	72,605
Cash in hand	13,036	13,166	12,906
Fixed Interest Bonds	62,784	63,412	62,156
	149,158	150,649	147,667

Asset Type	Asset values at 31		
	March 2018 £000	Impact of +1% £000	Impact of -1% £000
Investment Cash Balances	90,787	91,695	89,879
Cash in hand	10,434	10,538	10,330
Fixed Interest Bonds	60,150	60,752	59,548
	161,371	162,985	159,757

Asset Type	Interest Receivable		
	31 March 2019 £000	Impact of +1% £000	Impact of -1% £000
Investment Cash Balances	1,033	1,043	1,023
Cash in hand	73	74	72
Fixed Interest Bonds	383	387	379
	1,489	1,504	1,474

Asset Type	Interest Receivable		Impact of +1% £000	Impact of -1% £000
	31 March 2018 £000			
Investment Cash Balances	477		482	472
Cash in hand	28		28	28
Fixed Interest Bonds	154		156	152
	659		666	652

In addition the above interest receivable the fund holds debt pooled fund investments. These are a mix of multi asset credit vehicles including fixed and variable interest rate securities.

18c Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (Sterling). The Fund holds both monetary and non-monetary assets denominated in currencies other than Sterling and Sterling denominated pooled investment vehicles where the underlying assets are denominated in other currencies. As detailed in note 15b the Fund has various hedging strategies in place to reduce the impact of currency volatility on the Fund assets. The table below the page is prepared after consideration of the hedging strategies in place.

Currency Risk Sensitivity Analysis

Following analysis of historical data in consultation with the Fund's performance measurers, the council considers the likely annualised volatility associated with foreign exchange movements to be 10.80% in respect of non-sterling assets including those partially hedged to Sterling but excluding those where full hedging is in place (see note 15b).

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10.80% strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows (values shown are for non-Sterling denominated assets were full hedging of currency risk is not in place):

Currency Exposure – Asset Type	Asset Value as at 31 March		Change to net assets available to pay benefits	
	2019	£000	+10.80%	-10.80%
	£000	£000	£000	£000
Overseas Equities (including pooled equity funds where underlying assets are non-Sterling denominated)	1,168,070		126,152	-126,152
Private Equity	212,928		22,996	-22,996
Change in net assets available to pay benefits			149,148	-149,148

Currency Exposure – Asset Type	Asset Value as at 31 March 2018		Change to net assets available to pay benefits	
	£000	£000	+3.10%	-3.10 %
	£000	£000	£000	£000
Overseas Equities (including pooled equity funds where underlying assets are non-Sterling denominated)	1,124,503		34,860	-34,860
Private Equity	194,877		6,041	-6,041
Change in net assets available to pay benefits			40,901	-40,901

18d Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

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

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Where a direct counterparty relationship exists, cash collateral is posted when the value of unrealised profit due to the Fund exceeds an agreed limit.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the council's credit criteria. Money market funds that are used all have AAA rating from a leading ratings agency.

The non-investment cash holding was managed through the treasury management arrangements of the Administering Authority:

The credit exposure was as follows:

Summary	Short term Rating (S&P) 31 st March 2018	Balances at 31 March 2018 £000	Short term Rating (S&P) 31 st March 2019	Balances at 31 March 2019 £000
Bank Deposit Accounts				
Barclays Bank PLC	A-1	3,302		
Federated Money Market Fund	AAA	3,301	AAA	6,508
Aberdeen Money Market Fund			AAA	6,507
Bank Current Accounts				
Barclays Bank	A-1	3,831	A-1	21
Total		10,434		13,036

The majority of Custodied Investment cash is swept overnight to the AAA rated constant NAV money market funds of the custodian(s) and one other provider (Goldman Sachs Asset Management). The credit exposure on investment cash balances at 31 March 2019 comprise £65.1 million (31 March 2018, £76.4m) deposited with AAA rated money market funds, £2.1 million (£2.7m overdrawn) with the custodian HSBC (rated A-1+), £6.1 million (£11.6m) posted as variation margin to account held by HSBC and deposited overnight in the AAA money market funds detailed above. The current account figure includes control account balances.

18e 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.

The council has immediate access to its pension fund cash holdings, there were no deposits with fixed periods at 31 March 2019 (2018 nil).

Liquid Assets

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. The Fund classifies property (pooled and direct) and private equity partnerships in this category.

Balances at 31 March 2018 £000	Percentage of Total Fund Assets %	Balances at 31 March 2019 £000	Percentage of Total Fund Assets %
609,656	17.0%	700,434	18.3%

The Fund regularly monitors and forecasts future cash flow to understand and manage the timing of the Fund's cash flow obligations.

All financial liabilities at 31 March 2019 are due within one year.

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 and investment strategies.

19. Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013 ("The Regulations"), 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 valuation took place as at 31 March 2016. The 2019 Valuation is currently underway.

The funding policy is set out in the administering authority's Funding Strategy Statement. The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- to ensure that employer contribution rates are stable where appropriate;
- to minimise the long-term cost of the Fund by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;

- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Taxpayer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of approximately 20 years and to provide stability in employer contribution rates where prudently possible. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet the expected future pension benefits payable. When an employer's funding level is less than 100% of the funding target (full solvency), then a deficit recovery plan will be put in place requiring additional contributions from the employer to meet the shortfall.

	<i>Funded %</i>	<i>Deficit £ millions</i>
2016 actuarial valuation	80%	710
2013 actuarial valuation	78%	705

The table below summarises the whole fund Primary and Secondary Contribution rates at this triennial valuation. The Primary rate is the payroll weighted average of the underlying individual employer primary rates and the Secondary rate is the total of the underlying individual employer secondary rates (before any pre-payment or capitalisation of future contributions), calculated in accordance with the Regulations and CIPFA guidance. For 2013 the common rate was 29.6%.

Primary Rate (% of Pay) 1 April 2017 - 31 March 2020	2017-18	Secondary Rate £ 2018-19	2019-20
19.4%	26,306,000	27,463,000	31,810,000

The employer contribution rates payable (plus cash sums as applicable) arising from the 2016 Valuation are as follows:

<i>Year</i>	<i>Employers Contribution Rates (% of actual pensionable pay)</i>
1 April 2017 to 31 March 2018	Range from nil to 35.0
1 April 2018 to 31 March 2019	Range from nil to 35.0
1 April 2019 to 31 March 2020	Range from nil to 35.0

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 2016 actuarial valuation report and the funding strategy statement on the Fund's 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 at 31 March 2016

	% per annum	% per annum
	Nominal	Real
Price Inflation (CPI)	2.2	-
Pay increases	2.5	0.3
Investment Return (Discount rate)	3.8	1.6

Mortality Assumptions

The Fund is member of Club Vita which provides bespoke set of longevity assumptions specifically tailored to the membership profile of the Fund. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI_2013 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

Mortality assumption at age 65	Male	Female
Current Pensioners	22.1 years	24.4 years
Future Pensioners (current age 45)	24.1 years	26.4 years

The assumptions have changed since the previous IAS26 disclosure for the Fund in accordance with those used for the recently completed 2016 Triennial valuation.

Commutation assumption

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

5.0% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option.

20. Actuarial Present Value of Promised Retirement Benefits

Under IAS26 the Fund is required to disclose the actuarial present value of promised retirement benefits. These represent the present value of the whole fund liabilities to pay future retirement benefits.

The required valuation is carried out by the Hymans Robertson LLP using a similar approach to that employed for individual participating employers reporting pension liabilities under either FRS102 (previously FRS17) or IAS19. For the avoidance of doubt this approach will result in a different valuation of liabilities than the methodology employed at the triennial funding valuation.

Under the IAS 19/FRS102 (previously FRS17) basis reporting is produced using the same base data as the last completed funding valuation rolled forward to the latest reporting date, taking account of material changes in membership numbers and updating assumptions to the current year and requirements of the reporting approach.

In order to assess the value of the benefits on this basis, the Fund Actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see note 19).

	31 March 2018 £000	31 March 2019 £000
Actuarial present value of promised retirement benefits	-4,999,000	-5,627,000*
Fair Value of scheme assets (bid value)	<u>3,603,370</u>	<u>3,809,192</u>
Net Liability	-1,395,630	-1,817,808

*Includes £10m for the estimated impact of the recent McCloud ruling and £12m for the estimated impact of GMP indexation changes.

The liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2016 triennial funding valuation (see note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

McCloud Ruling

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government's application for leave to appeal to the Supreme Court was refused. The impact of the ruling is uncertain. It is looking likely that benefits accrued from 2014 may need to be enhanced so that all members, regardless of age, will benefit from the underpin. However, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections. In this outcome, there would likely be a retrospective increase to members' benefits, which in turn would give rise to a past service cost for the Fund employers when the outcome is known.

Quantifying the impact at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

The Fund's actuary has adjusted GAD's estimate to better reflect the Norfolk Pension Fund's local assumptions, particularly salary increases and withdrawal rates. The revised estimate as it applies to total liabilities (i.e. the increase in active members' liabilities expressed in terms of total membership) could be 0.4% higher as at 31 March 2019, an increase of approximately £10M.

Guaranteed Minimum Pension (GMP)

GMP was accrued by members of the Local Government Pension Scheme (LGPS) between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the State Second Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men and women's benefits.

As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility leads to increased costs for schemes (including the LGPS) and hence scheme employers.

The fund's actuary has carried out calculations in order to estimate the impact that the GMP indexation changes will have on the liabilities. The estimate of £12M assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards. These numbers are approximate estimates based on employer data as at 31 March 2016 and will be revised at the upcoming valuation.

Assumptions Used	31 March 2018	31 March 2019
	%	%
Inflation/Pension Increase Rate Assumption	2.4	2.5
Salary Increase Rate	2.7	2.8
Discount Rate	2.7	2.4

21. Current Assets

31 March 2018		31 March 2019
£000		£000
Cash In Hand		
10,434	Cash In Hand**	13,036
Debtors:		
2,220	Contributions due - employees*	2,515
8,007	Contributions due - employers*	7,298
1,819	Employers special contributions	1,406
945	Augmentation & strain due	597
2,920	Dividends receivable**	1,191
1,740	Pooled funds rebate due**	1,133
749	UK tax receivable	921
625	Overseas tax receivable	922
229	VAT refund due	38
9	Interest due**	23
0	Stock lending/commission recapture**	18
114	Recharge of fees**	154
3	Prepayments	8
13	Sundry **	8
19,393	Debtors	16,232
29,827	Current Assets	29,268

*Principally represents amounts due in respect of March payrolls but payable the following month. **Cash and Debtors classed as financial instruments (assets) note 17a.

31 March 2018 £000	31 March 2019 £000
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Long term debtors:		
2,658	Employer contributions	2,057
632	Augmentation & strain due	62
<u>3,290</u>		<u>2,119</u>

Long term debtors comprise of amounts not due to be paid to the Fund for a period of more than 12 months from the balance sheet date.

Analysis of Debtors

31 March 2018 £000	31 March 2019 £000
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Debtors:		
5,667	Central government bodies	4,646
7,009	Other local authorities	4,383
10,007	Other entities and individuals	9,322
<u>22,683</u>		<u>18,351</u>

22. Current Liabilities

31 March 2018 £000	31 March 2019 £000
Creditors:	
175 Transfer values payable (leavers)	610
3,702 Benefits payable	2,151
2,433 Investment Management Fees**	3,429
0 Receipt in Advance**	34,512
2,296 Other Fees & Charges**	2,593
1,043 UK Taxation payable	1,131
7 Sundry creditors**	2
9,656	44,428

The receipt in advance represents an agreed pre-payment of employer contributions in respect of the 2019-20 financial year.

**Creditors classed as financial instruments (liabilities) note 17a.

Analysis of Creditors

31 March 2018 £000	31 March 2019 £000
Creditors:	
1,058 Central government bodies	1,145
2,165 Other local authorities	36,824
6,433 Other entities and individuals	6,459
9,656	44,428

23. Additional Voluntary Contributions

The Fund has three in-house AVC providers; Prudential, Clerical Medical and Equitable Life (a legacy arrangement that is not open to new contributors). The value of AVC investments and contributions paid directly to the providers by scheme employers during the year is shown below.

Market Value 31 March 2018 £000	Market Value 31 March 2019 £000
5,229 Separately Invested AVC Funds	5,709
2017-18 £000	2018-19 £000
654 AVC contributions paid directly during the year	1,068

24. Agency Contracted Services

The Norfolk Pension Fund pays discretionary awards to the former employees of Norfolk County Council, the seven Norfolk district councils and 25 other employers. The amounts paid are not included within the Fund Account but are provided as a service and fully reclaimed from the employer bodies. The sums are disclosed below:

31 March 2018 £000	31 March 2019 £000
1,245 Norfolk County Council	1,225
1,175 Norwich City Council	1,190
253 North Norfolk District Council	252
241 Borough Council of Kings Lynn & West Norfolk	238
188 Great Yarmouth Borough Council	183
105 Broadland District Council	107
99 Breckland District Council	101
57 South Norfolk District Council	58
158 Other	160
3,521	3,514

25. Related Party Transactions

Norfolk County Council

The Fund is administered by Norfolk County Council. Consequently, there is a close relationship between the council and the Fund.

The council incurred costs in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.

The Local Government Pension Scheme Regulations enables administration expenses to be charged to the Fund. Internal Audit Services are provided by Norfolk Audit Services, the internal audit function of the Administering Authority. Internal legal fees represent the total cost of internal advice provided by the legal services unit of the Administering Authority (NPLaw).

The council is also the single largest employer of members in the pension fund.

	2017-18 £000	2018-19 £000
Norfolk County Council incurred administration and Investments costs reimbursed by the Fund	2,161	2,320
All monies owing to and due from the Fund were paid within statutory timescales.		

All contributions were paid in accordance with the rates and adjustment certificate.

Part of the pension fund cash holdings are invested on the money markets by the treasury management operations of Norfolk County Council. The arrangement is managed through a service level agreement.

	2017-18 £000	2018-19 £000
Average investment balance held by NCC Treasury Management Operation	9,066	11,342
Interest earned on balances invested by NCC Treasury Management Operation	28	73

Governance

Each member of the Pension Fund Committee is required to declare their interests at each meeting. Declarations of interest are recorded in the minutes of each Committee meeting as part of the public record and a copy can be found on the Norfolk County Council website under Pensions Committee papers at www.norfolk.gov.uk.

Personnel Employed in the Delivery of the Pensions Function by the Administering Authority

All employees of Norfolk County Council (other than those whose profession grants them access to other public service schemes) may join the Local Government Pension Scheme. This includes personnel employed in delivering the pensions function through the Norfolk Pension Fund. Benefits are accrued and employee contributions calculated on a standard national, statutory basis.

Disclosure of senior officer remuneration is made in note 19 of the Statement of Accounts of the Administering Authority (Norfolk County Council). This disclosure includes the Executive Director of Finance and Commercial Services who has

responsibility under S151 of the Local Government Act 1972 for the proper financial administration of the Fund and holds the role of Fund Administrator.

The Administering Authority (Norfolk County Council) disclosure of senior officer remuneration includes the Executive Director of Finance and Commercial Services who has responsibility under S151 of the Local Government Act 1972, for the proper financial administration of the Fund and holds the role of Fund Administrator. For 2018-19 the remuneration amount incurred by the Fund was £9,000 (£9,000 2017-18).

Remuneration is deemed to include:

- Gross pay (before the deduction of employees' pension contributions).
- Expense allowances chargeable to tax and other benefits (as declared on HM Revenue & Customs form P11D).
- Compensation for loss of office and any other payments receivable on termination of employment transfer.

26. Contractual Commitments, Contingent Assets and Liabilities

26a Contractual Commitments

Outstanding Capital Commitments	31 March 2018 £000	31 March 2019 £000
Private equity partnerships	166,012	219,520
Property investment vehicles	19,314	15,370
Pooled Debt Funds	538	25,172
Pooled Infrastructure	0	250,489
Total	185,864	510,551

At 31 March 2019 the Fund had made contractual commitments to private equity funds managed by Aberdeen Standard Investments and HarbourVest Partners. Commitments are made in the underlying currency of the Fund (Euros and US Dollars respectively) and are therefore subject to volatility (risk) arising from exchange rate fluctuation. This volatility will impact both on the value of unfunded commitments in Sterling terms and the valuation of the funded interest and monies received as distributions.

The Fund's private equity programme is still relatively immature. The commitments are paid over the investment timeframe of the underlying partnerships. Concurrently as these partnerships mature they distribute capital back to investors.

The current value of the funded commitment net of distributions in these funds at 31 March 2019 is included in the net asset statement.

In addition to the private equity commitments, within the LaSalle (previously Aviva) property portfolio there are unfunded commitments to various property investment vehicles. This total potentially includes Sterling and US Dollar denominated commitments as at 31st March 2019. The foreign exchange exposure on the funded portion of these positions is hedged within the LaSalle portfolio but the unfunded commitments are impacted by exchange rate volatility. There are also commitments on the M&G Debt opportunities portfolio.

During 2019 the Fund entered in to contractual relationships with four Infrastructure managers. The contractual commitments associated with the new investments are shown above. As at 31st March only Equitix had drawn down on the capital commitment.

26b Contingent Assets

The Administering Authority held charges on property at 31st March 2019, relating to funding agreements put in place with one employer. This agreement allows the employer to extend their deficit recovery periods and therefore reduce the contributions immediately payable in return for providing additional security to the Fund. The total charge on one property was £0.233 million (2018 £0.233 million). Following the cessation of the employer the security related to the charge was released post the balance sheet date.

APPENDICES

Appendix I – Participating Employers (*Employers with active members during the year*)

<u>Employer</u>	<u>Type</u>
Acle Academy	Scheduled/Resolution Body
Acle Parish Council	Scheduled/Resolution Body
Action for Children (Wells)	Admitted Body
Action for Children (Dereham)	Admitted Body
Action for Children (Hethersett)	Admitted Body
Action for Children (Thorpe)	Admitted Body
Ad Meliora Academy Trust	Scheduled/Resolution Body
Admirals Academy	Scheduled/Resolution Body
AfC (Ex 4Children)	Admitted Body
Alderman Peel High	Scheduled/Resolution Body
Alive Leisure Trust	Admitted Body
Alive Management Ltd	Scheduled/Resolution Body
All Saints Academy	Scheduled/Resolution Body
Angel Road Infant School	Scheduled/Resolution Body
Angel Road Junior School	Scheduled/Resolution Body
Anglia Maintenance Services	Admitted Body
Anthony Curton Primary School	Scheduled/Resolution Body
Antingham & Southrepps Community Primary School	Scheduled/Resolution Body
Archbishop Sancroft High School	Scheduled/Resolution Body
Arden Grove Infant and Nursery Academy	Scheduled/Resolution Body
Aslacton Primary School	Scheduled/Resolution Body
Astley Primary	Scheduled/Resolution Body
Attleborough High School Academy	Scheduled/Resolution Body
Attleborough Town Council	Scheduled/Resolution Body
Aylsham Town Council	Scheduled/Resolution Body

Banham Community Primary School	Scheduled/Resolution Body
Barford & Wramplingham Parish Council	Scheduled/Resolution Body
Bawdeswell Community Primary School	Scheduled/Resolution Body
Beeston Primary	Scheduled/Resolution Body
Beighton Parish Council	Scheduled/Resolution Body
Belton with Browston Parish Council	Scheduled/Resolution Body
Biffa Municipal Ltd	Admitted Body
Bignold Primary School	Scheduled/Resolution Body
Bishop's Primary School	Scheduled/Resolution Body
Blenheim Park Primary School	Scheduled/Resolution Body
Blofield Parish Council	Scheduled/Resolution Body
Borough Council of King's Lynn & West Norfolk	Scheduled/Resolution Body
Bradwell Parish Council	Scheduled/Resolution Body
Breckland Council	Scheduled/Resolution Body
Brisley Church Of England Primary Academy	Scheduled/Resolution Body
Broadland District Council	Scheduled/Resolution Body
Broadland High Ormiston Academy	Scheduled/Resolution Body
Broads (2006) Internal Drainage Board	Scheduled/Resolution Body
Broads Authority	Scheduled/Resolution Body
Brundall Parish Council	Scheduled/Resolution Body
Bunwell Primary School	Scheduled/Resolution Body
Burnham Market Primary	Scheduled/Resolution Body
Burston Primary	Scheduled/Resolution Body
Butterflies Nursery	Scheduled/Resolution Body
Buxton With Lamas Parish Council	Scheduled/Resolution Body
Caister Academy	Scheduled/Resolution Body
Castle Acre Church of England Primary School	Scheduled/Resolution Body
Caterlink (College of West Anglia)	Admitted Body
Cawston Parish Council	Scheduled/Resolution Body
Cawston Primary School	Scheduled/Resolution Body

Charles Darwin Primary School	Scheduled/Resolution Body
Chartswell (Iceni Academy)	Admitted Body
Cherry Tree Academy Marham Infant	Scheduled/Resolution Body
Cherry Tree Academy Marham Junior	Scheduled/Resolution Body
Cherry Tree Academy Trust Marham	Scheduled/Resolution Body
Childhood First	Admitted Body
Churchill (Acle Academy)	Admitted Body
Churchill Park Academy	Scheduled/Resolution Body
Circle Anglia Limited	Admitted Body
City Academy Norwich	Scheduled/Resolution Body
City College Norwich	Scheduled/Resolution Body
City of Norwich School	Scheduled/Resolution Body
Clenchwarton Primary School	Scheduled/Resolution Body
Cliff Park Ormiston Academy	Scheduled/Resolution Body
Cliff Park Schools Trust Ltd	Scheduled/Resolution Body
Cobholm Primary Academy	Scheduled/Resolution Body
Colkirk Church of England Primary School	Scheduled/Resolution Body
College of West Anglia	Scheduled/Resolution Body
Corusty Primary	Scheduled/Resolution Body
Costessey Infant School (Academy)	Scheduled/Resolution Body
Costessey Junior School (Academy)	Scheduled/Resolution Body
Costessey Town Council	Scheduled/Resolution Body
Cranworth Parish Council	Scheduled/Resolution Body
Cringleford Parish Council	Scheduled/Resolution Body
Cromer Academy Trust	Scheduled/Resolution Body
Cromer Town Council	Scheduled/Resolution Body
Dereham Church of England Junior Academy	Scheduled/Resolution Body
Dereham Town Council	Scheduled/Resolution Body
Dersingham Parish Council	Scheduled/Resolution Body
Diamond Academy	Scheduled/Resolution Body

Dickleburgh Church of England Primary Academy	Scheduled/Resolution Body
Diocese of Norwich Education and Academies Trust (formerly Diocese of Norwich Multi-Academy Trust)	Scheduled/Resolution Body
Diss Church of England Junior School	Scheduled/Resolution Body
Diss High School (Academy)	Scheduled/Resolution Body
Diss Infant Academy And Nursery	Scheduled/Resolution Body
Diss Town Council	Scheduled/Resolution Body
Ditchingham Church of England Primary Academy	Scheduled/Resolution Body
Downham & Stow Bardolph Internal Drainage Board	Scheduled/Resolution Body
Downham Market Academy	Scheduled/Resolution Body
Downham Market Town Council	Scheduled/Resolution Body
Drayton Community Infant School	Scheduled/Resolution Body
Drayton Parish Council	Scheduled/Resolution Body
Duchy of Lancaster Methwold Church of England Primary	Scheduled/Resolution Body
Dussindale Primary School	Scheduled/Resolution Body
East City Children's Centre	Scheduled/Resolution Body
East Norfolk Sixth Form College	Scheduled/Resolution Body
East of Ouse, Polver & Nar Internal Drainage Board	Scheduled/Resolution Body
Eastern Inshore Fisheries and Conservation Authority	Scheduled/Resolution Body
Eastgate Academy	Scheduled/Resolution Body
Easton and Otley College	Scheduled/Resolution Body
Eaton Hall Specialist Academy	Scheduled/Resolution Body
Eaton Primary School	Scheduled/Resolution Body
Edith Cavell Academy	Scheduled/Resolution Body
Edward and Blake (Caister Academy)	Admitted Body
Edward Worlledge Primary	Scheduled/Resolution Body
Edwards & Blake (Magdalen Gates Primary)	Admitted Body
Edwards & Blake (Unity Trust Kings Park)	Admitted Body
Edwards & Blake (Wymondham Academy)	Admitted Body
Edwards and Blake	Admitted Body
Edwards and Blake (Reepham High)	Admitted Body

Emneth Primary	Scheduled/Resolution Body
Engage Educational Services	Scheduled/Resolution Body
Fakenham Academy Norfolk	Scheduled/Resolution Body
Fakenham Town Council	Scheduled/Resolution Body
Filby Primary School	Scheduled/Resolution Body
Firside Junior School	Scheduled/Resolution Body
Flagship Housing Group	Admitted Body
Flegg High School	Scheduled/Resolution Body
Flitcham Church of England Primary Academy	Scheduled/Resolution Body
Foulsham Primary	Scheduled/Resolution Body
Framingham Earl High School	Scheduled/Resolution Body
Framingham Earl Parish Council	Scheduled/Resolution Body
Freebridge Community Housing Ltd	Admitted Body
Garrick Green Academy	Scheduled/Resolution Body
Garvestone Primary School	Scheduled/Resolution Body
Garvestone, Remerston and Thuxton Parish Council	Scheduled/Resolution Body
Gayton Church Of England Primary Academy	Scheduled/Resolution Body
Gaywood Primary	Scheduled/Resolution Body
George White Junior	Scheduled/Resolution Body
Ghost Hill Infant & Nursery School	Scheduled/Resolution Body
Gillingham St Michael's Primary	Scheduled/Resolution Body
Glebeland Primary School	Scheduled/Resolution Body
Gooderstone Church of England Primary Academy	Scheduled/Resolution Body
Great and Little Plumstead Parish Council	Scheduled/Resolution Body
Great Hockham Primary	Scheduled/Resolution Body
Great Snoring Parish Council	Scheduled/Resolution Body
Great Witchingham Church of England Primary School	Scheduled/Resolution Body
Great Witchingham Parish Council	Scheduled/Resolution Body
Great Yarmouth Borough Council	Scheduled/Resolution Body
Great Yarmouth Charter	Scheduled/Resolution Body

Great Yarmouth College of Further Education	Scheduled/Resolution Body
Great Yarmouth Norse	Scheduled/Resolution Body
Great Yarmouth Port Authority	Admitted Body
Great Yarmouth Port Company	Admitted Body
Great Yarmouth Primary Academy	Scheduled/Resolution Body
Gresham Village School	Scheduled/Resolution Body
Greyfriars Academy	Scheduled/Resolution Body
Grove House Nursery Primary School	Scheduled/Resolution Body
GYB Services Ltd	Scheduled/Resolution Body
Hardingham Parish Council	Scheduled/Resolution Body
Harleston CE Primary Academy	Scheduled/Resolution Body
Harling Parish Council	Scheduled/Resolution Body
Heacham Infant School	Scheduled/Resolution Body
Heacham Junior School	Scheduled/Resolution Body
Heart Education Trust	Scheduled/Resolution Body
Heartsease Primary Academy	Scheduled/Resolution Body
Heather Avenue Infant	Scheduled/Resolution Body
Hellesdon High School Academy	Scheduled/Resolution Body
Hellesdon Parish Council	Scheduled/Resolution Body
Hemblington Parish Council	Scheduled/Resolution Body
Hemblington Primary	Scheduled/Resolution Body
Henderson Green Primary Academy	Scheduled/Resolution Body
Hethel Innovation Ltd	Admitted Body
Hethersett Academy	Scheduled/Resolution Body
Hethersett Parish Council	Scheduled/Resolution Body
Highgate Infant School	Scheduled/Resolution Body
Hilgay Riverside Academy	Scheduled/Resolution Body
Hillside Avenue Primary and Nursery School	Scheduled/Resolution Body
Hindolveston Parish Council	Scheduled/Resolution Body
Hobart High School Academy	Scheduled/Resolution Body

Hockering Primary Academy	Scheduled/Resolution Body
Holt Town Council	Scheduled/Resolution Body
Hopton Church Of England Primary Academy	Scheduled/Resolution Body
Hoveton Parish Council	Scheduled/Resolution Body
Hunstanton Town Council	Scheduled/Resolution Body
I.E.Trust	Scheduled/Resolution Body
Iceni Academy	Scheduled/Resolution Body
Inclusive Schools Trust	Scheduled/Resolution Body
Independence Matters	Admitted Body
Inspiration Trust	Scheduled/Resolution Body
Jane Austin College	Scheduled/Resolution Body
Kenninghall Primary	Scheduled/Resolution Body
Kettlestone Parish Council	Scheduled/Resolution Body
Kier Support Services	Admitted Body
King Edward VII Academy	Scheduled/Resolution Body
King's Lynn Internal Drainage Board	Scheduled/Resolution Body
King's Park Infant School	Scheduled/Resolution Body
King's Lynn Academy	Scheduled/Resolution Body
King's Lynn Internal Drainage Board	Scheduled/Resolution Body
Kings Oak Academy	Scheduled/Resolution Body
Kirby Cane And Ellingham Parish Council	Scheduled/Resolution Body
Konectbus Ltd	Admitted Body
KWEST Multi Academy Trust	Scheduled/Resolution Body
Lafarge Tarmac	Admitted Body
Lingwood and Burlingham Parish Council	Scheduled/Resolution Body
Lingwood Primary Academy	Scheduled/Resolution Body
Lionwood Infant + Nursery	Scheduled/Resolution Body
Lionwood Junior	Scheduled/Resolution Body
Litcham School	Scheduled/Resolution Body
Little Snoring Community Primary Academy	Scheduled/Resolution Body

Little Snoring Parish Council	Scheduled/Resolution Body
Loddon Parish Council	Scheduled/Resolution Body
Lodge Lane Infant School	Scheduled/Resolution Body
Long Stratton High	Scheduled/Resolution Body
Lynn Grove High School (Academy)	Scheduled/Resolution Body
Magdalen Village Academy	Scheduled/Resolution Body
Manor Field Infant Nursery School	Scheduled/Resolution Body
Marshland High School	Scheduled/Resolution Body
Marshland St. James Primary School	Scheduled/Resolution Body
Martham Parish Council	Scheduled/Resolution Body
Martham School Trust	Scheduled/Resolution Body
Mattishall Parish Council	Scheduled/Resolution Body
Mattishall Primary	Scheduled/Resolution Body
Middleton Primary School	Scheduled/Resolution Body
Moorlands Church of England Primary Academy	Scheduled/Resolution Body
Mousehold Infant And Nursery School	Scheduled/Resolution Body
Mundesley Parish Council	Scheduled/Resolution Body
Mundford Church of England Primary	Scheduled/Resolution Body
Nar and St Clement's Children's Centre	Scheduled/Resolution Body
Narborough Church of England Primary Academy	Scheduled/Resolution Body
NCS (Assistive Technology)	Scheduled/Resolution Body
NCS Transport Ltd	Scheduled/Resolution Body
Neatherd High School	Scheduled/Resolution Body
Nelson Academy	Scheduled/Resolution Body
Nelson Infant School	Scheduled/Resolution Body
New Anglia Enterprise Council	Admitted Body
New Buckenham Parish Council	Scheduled/Resolution Body
Newton Flotman Parish Council	Scheduled/Resolution Body
Nightingale Infant & Nursery School	Scheduled/Resolution Body
Norfolk Academies Trust	Scheduled/Resolution Body

Norfolk Chief Constable	Scheduled/Resolution Body
Norfolk County Council	Scheduled/Resolution Body
Norfolk Educational Services (NES)	Scheduled/Resolution Body
Norfolk Heritage Fleet Trust	Admitted Body
Norfolk Police and Crime Commissioner	Scheduled/Resolution Body
Norfolk Rivers Internal Drainage Board	Scheduled/Resolution Body
Norman Church of England Primary School	Scheduled/Resolution Body
Norse Care Limited	Scheduled/Resolution Body
Norse Care Services	Scheduled/Resolution Body
Norse Commercial Services	Scheduled/Resolution Body
Norse Eastern	Scheduled/Resolution Body
North City Children's Centre	Admitted Body
North Norfolk Academy Trust	Scheduled/Resolution Body
North Norfolk District Council	Scheduled/Resolution Body
North Walsham Infant and Nursery	Scheduled/Resolution Body
North Walsham Junior	Scheduled/Resolution Body
North Walsham Town Council	Scheduled/Resolution Body
North Wootton Community School	Scheduled/Resolution Body
Northgate High School	Scheduled/Resolution Body
Northrepps Parish Council	Scheduled/Resolution Body
Norwich Airport Limited	Admitted Body
Norwich City Council	Scheduled/Resolution Body
Norwich Norse	Scheduled/Resolution Body
Norwich Primary Academy	Scheduled/Resolution Body
Norwich Regeneration Limited	Admitted Body
Norwich Road Academy	Scheduled/Resolution Body
Norwich University of the Arts	Scheduled/Resolution Body
Notre Dame High School Academy	Scheduled/Resolution Body
NPS (London) Ltd	Scheduled/Resolution Body
NPS (Norwich) Ltd	Scheduled/Resolution Body

NPS (South East) Ltd	Scheduled/Resolution Body
NPS (South West) Ltd	Scheduled/Resolution Body
NPS Property Consultants Ltd	Scheduled/Resolution Body
Old Buckenham High School	Scheduled/Resolution Body
Old Buckenham Primary School	Scheduled/Resolution Body
Old Catton Parish Council	Scheduled/Resolution Body
Open Academy - Heartsease	Scheduled/Resolution Body
Ormiston Herman Academy	Scheduled/Resolution Body
Ormiston Venture Academy	Scheduled/Resolution Body
Ormiston Victory Academy	Scheduled/Resolution Body
Ovington Parish Council	Scheduled/Resolution Body
Peterhouse Primary School	Scheduled/Resolution Body
Poringland Parish Council	Scheduled/Resolution Body
Queensway Infant Academy and Nursery	Scheduled/Resolution Body
Rackheath Parish Council	Scheduled/Resolution Body
Raleigh Infant Academy	Scheduled/Resolution Body
Redenhall with Harleston Town Council	Scheduled/Resolution Body
Reepham High School and College	Scheduled/Resolution Body
Reepham Primary School	Scheduled/Resolution Body
Reepham Town Council	Scheduled/Resolution Body
Reffley Community School	Scheduled/Resolution Body
Right for Success Academy Sponsorship Trust	Scheduled/Resolution Body
RM Education	Admitted Body
Rockland St Mary	Scheduled/Resolution Body
Rudham Church of England Primary School	Scheduled/Resolution Body
Runton Holme Church of England Primary School	Scheduled/Resolution Body
Saffron Housing Trust Limited	Admitted Body
Salhouse Parish Council	Scheduled/Resolution Body
Sandringham And West Newton Church Of England Primary Academy	Scheduled/Resolution Body
Saxlingham Nethergate Parish Council	Scheduled/Resolution Body

Scoulton Parish Council	Scheduled/Resolution Body
Sculthorpe Church of England Primary School	Scheduled/Resolution Body
Seething + Mundham Primary	Scheduled/Resolution Body
Sentinel Leisure Trust	Admitted Body
Serco Government Services	Admitted Body
Sewell Park Academy	Scheduled/Resolution Body
Sheringham High School (Academy)	Scheduled/Resolution Body
Sheringham Town Council	Scheduled/Resolution Body
Short Stay School for Norfolk	Scheduled/Resolution Body
Sir Isaac Newton Free School	Scheduled/Resolution Body
Smithdon High School	Scheduled/Resolution Body
Snettisham Parish Council	Scheduled/Resolution Body
Snettisham Primary School	Scheduled/Resolution Body
South Norfolk District Council	Scheduled/Resolution Body
South Walsham Parish Council	Scheduled/Resolution Body
South Wootton Parish Council	Scheduled/Resolution Body
Southery & District Internal Drainage Board	Scheduled/Resolution Body
Southery Academy	Scheduled/Resolution Body
Spixworth Parish Council	Scheduled/Resolution Body
Spooner Row Primary	Scheduled/Resolution Body
Sporle Church of England Primary School	Scheduled/Resolution Body
Springwood High School Academy Trust	Scheduled/Resolution Body
Sprowston High School	Scheduled/Resolution Body
Sprowston Town Council	Scheduled/Resolution Body
St Andrews Primary School	Scheduled/Resolution Body
St Augustine's Catholic Primary School	Scheduled/Resolution Body
St Clements HS Academy	Scheduled/Resolution Body
St Edmunds Academy	Scheduled/Resolution Body
St Francis of Assisi Catholic School	Scheduled/Resolution Body
St Germans Academy	Scheduled/Resolution Body

St John the Baptist Trust	Scheduled/Resolution Body
St Martin at Shouldham Church of England Primary Academy	Scheduled/Resolution Body
St Mary & St Peter Catholic Primary School	Scheduled/Resolution Body
St Mary's Church of England Junior School (Academy)	Scheduled/Resolution Body
St Michael's Church of England Academy (King's Lynn)	Scheduled/Resolution Body
St Peter & St Paul Carbroke Church of England Primary Academy	Scheduled/Resolution Body
St Peters Church of England Primary Academy	Scheduled/Resolution Body
St. Clements Hill Primary Academy	Scheduled/Resolution Body
Stalham Academy	Scheduled/Resolution Body
Stalham High School	Scheduled/Resolution Body
Stalham Town Council	Scheduled/Resolution Body
Stradbroke Primary	Scheduled/Resolution Body
Strumpshaw Parish Council	Scheduled/Resolution Body
Suffolk Coastal Services	Scheduled/Resolution Body
Surlingham Primary	Scheduled/Resolution Body
Swaffham Church of England Junior School	Scheduled/Resolution Body
Swaffham Town Council	Scheduled/Resolution Body
Swannington with Alderford LW	Scheduled/Resolution Body
Swanton Morley Parish Council	Scheduled/Resolution Body
Tasburgh Parish Council	Scheduled/Resolution Body
Taverham High School	Scheduled/Resolution Body
Taverham Parish Council	Scheduled/Resolution Body
Ten Mile Bank Community Primary School	Scheduled/Resolution Body
The Fen Rivers Academy	Scheduled/Resolution Body
The Free School Norwich	Scheduled/Resolution Body
The Hewett Academy	Scheduled/Resolution Body
The Howard Junior	Scheduled/Resolution Body
The Nicholas Hamond Academy	Scheduled/Resolution Body
The Wensum Trust	Scheduled/Resolution Body

The Wherry School	Scheduled/Resolution Body
The Yare Education Trust	Scheduled/Resolution Body
Thetford Academy	Scheduled/Resolution Body
Thetford Free School	Scheduled/Resolution Body
Thetford Town Council	Scheduled/Resolution Body
Thomas Bullock Primary	Scheduled/Resolution Body
Thompson Primary	Scheduled/Resolution Body
Thorpe St Andrew School and 6th Form	Scheduled/Resolution Body
Thorpe St. Andrew Town Council	Scheduled/Resolution Body
Thurlton Primary	Scheduled/Resolution Body
Tilney All Saints VC Primary School	Scheduled/Resolution Body
Tivetshall Primary	Scheduled/Resolution Body
Trowse with Newton Parish Council	Scheduled/Resolution Body
Tuckswood Academy and Nursery	Scheduled/Resolution Body
Unity Education Trust	Scheduled/Resolution Body
University Technical College Norfolk	Scheduled/Resolution Body
Upton with Fishley Parish Council	Scheduled/Resolution Body
Upwell Community Primary School	Scheduled/Resolution Body
Valley Primary Academy	Scheduled/Resolution Body
Village Green Children's Centre	Scheduled/Resolution Body
Village Green Nursery	Scheduled/Resolution Body
Walpole Cross Keys Primary School	Scheduled/Resolution Body
Walsingham Parish Council	Scheduled/Resolution Body
Watton Town Council	Scheduled/Resolution Body
Watton Westfield Infant & Nursery School	Scheduled/Resolution Body
Wayland High School Academy	Scheduled/Resolution Body
Wayland Junior Academy	Scheduled/Resolution Body
Weasenham Church of England Primary School	Scheduled/Resolution Body
Weeting VC Primary School	Scheduled/Resolution Body
Wells Next The Sea Primary	Scheduled/Resolution Body

Wells-Next-The-Sea Town Council	Scheduled/Resolution Body
Wensum Junior School	Scheduled/Resolution Body
West Lynn Primary	Scheduled/Resolution Body
West Raynham VC Primary School	Scheduled/Resolution Body
Whitefriars Church of England Primary Academy	Scheduled/Resolution Body
Wimbotsham and Stow Academy	Scheduled/Resolution Body
Winterton on Sea Parish Council	Scheduled/Resolution Body
Winterton Primary School And Nursery	Scheduled/Resolution Body
Woodlands Primary Academy	Scheduled/Resolution Body
Wormegay Primary	Scheduled/Resolution Body
Wroughton Infant Academy	Scheduled/Resolution Body
Wroughton Junior Academy	Scheduled/Resolution Body
Wroxham Parish Council	Scheduled/Resolution Body
Wymondham Academy College	Scheduled/Resolution Body
Wymondham High Academy	Scheduled/Resolution Body
Wymondham Town Council	Scheduled/Resolution Body

Appendix II – Disclosure Regulations

The Government introduced Disclosure of Information Regulations as a step towards protecting the interests of pension fund members after the occurrence of a few well-known cases of misuse of pension fund assets. These regulations extended the items of basic information to be disclosed and introduced fixed time limits for their disclosure.

Pensions Registry

There is a registry of all schemes and information about this Scheme has been passed to:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

<http://www.thepensionsregulator.gov.uk/>

Investment Strategy Statement and Funding Strategy Statement

With effect from the 1st April 2017 the Pension Fund is required to publish an Investment Strategy Statement in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (“the Regulations”) and supersedes all previously published Statement of Investment Principles.

The Investment Strategy Statement and Funding Strategy Statement can be found on the Pension Funds website at the following location under the “Investment” and “Funding” sections:

<https://www.norfolkpensionfund.org/about-us/forms-and-publications/>

Alternatively, a copy can be obtained by contacting the Norfolk Pension Fund at:

Norfolk Pension Fund
Lawrence House
5 St Andrews Hill
Norwich
NR2 1AD

Telephone: 01603 222870

Appendix III – The Fund

Norfolk County Council administers a Pension Fund to provide retirement benefits for all its employees who are members of the Local Government Pension Scheme. Also included in the Fund are employees of the seven District Councils in Norfolk and 392 other bodies who actively participate in the Scheme.

Teachers and fire-fighters have their own pension schemes and are not included in the Fund.

The County Council has delegated to its Pensions Committee responsibility for deciding upon the best way in which the Pension Fund is invested. The Committee consists of 7 members, 5 appointed by the County Council plus 2 co-opted members representing the District Councils. The Head of Norfolk Pension Fund, the external Investment Managers, the Fund's Actuary and an employee representative also attend. This Committee meets quarterly.

The Executive Director of Finance and Commercial Services, together with the Head of Norfolk Pension Fund and other staff, control the investment administration and accounting functions relating to the Fund. The investment performance of the Fund is monitored throughout the year in conjunction with the Fund's Actuary. The Executive Director of Finance and Commercial Services also decides matters relating to policy on benefits.

Appendix IV – Governance Compliance Statement

The Norfolk Pension Fund
Governance Compliance Statement as at May 2019
Local Government Pension Scheme Regulations 2013 (as amended)
Regulation 55

Principle A – Structure

	Not compliant*					Fully compliant
a						✓
b						✓
c						✓
d						✓

a. The management of the administration of benefits and strategic management of fund assets rests clearly with the main committee established by the appointing council.

Full Council have delegated responsibility to Pensions Committee to administer all aspects of the Norfolk Pension Fund on behalf of Norfolk County Council as Administering Authority of the scheme, and on behalf of NCC as an employer within the scheme alongside all other contributing employers, and on behalf of all scheme beneficiaries (scheme members). The Norfolk Pension Fund is part of the ACCESS investment pool, and is represented at the ACCESS Joint Committee, however all strategic asset allocation decisions remain with the Norfolk Pension Fund Pensions Committee.

b. That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.

In addition to the Norfolk County Council members, 2 district councillors elected by the Local Government Association represent the largest group of employers; an additional observer seat is available to all other employers. Scheme members (including active, deferred and retired) are represented at Committee by the Staff Representative.

c. That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.

There is no formal secondary committee or panel. Regular employers' forums and other activities detailed within the communication strategy ensure effective communication. The Local Pension Board (known locally as the Pensions Oversight Board [POB]) regularly reports to Pensions Committee and POB members observe all Pensions Committee meetings.

d. That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.

No formal secondary committee or panel has been established. However, employers are regularly reminded via the Employers' Forum and Employers newsletters of the observer seat at Committee. Scheme members are reminded that they can observe committee meetings via the annual "Your Pension" booklet and also at the Annual Meeting. Some Committee and POB Members also attend Employer Forum meetings and member events.

Principle B – Representation

	Not compliant*				Fully compliant
a.i					✓
.ii					✓
.iii					✓
.iv					✓

a That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:

- i Employing authorities (including non-scheme employers, e.g. admitted bodies)
Two district councillors elected by the Local Government Association represent the largest group of employers. An additional observer is seat available to all other employers. POB: 3 employer representatives; all employers are invited to stand for POB.
- ii Scheme members (including deferred and pensioner scheme members)
Scheme members (including active, deferred and retired) are represented at Committee by the Staff Representative. Scheme members are reminded that they can observe committee meetings via the annual "Your Pension" booklet and also at the Annual Meeting. POB: 3 scheme member representatives; all scheme members invited to stand for election.
- iii Independent professional observers
Hymans Robertson, as Advisers to the Norfolk Pension Fund, attend Committee; they also attend POB as required.
- iv Expert advisors (on an ad-hoc basis)
Expert advisors are invited to attend committee and POB as and when necessary.

Principle C – Selection and role of lay members

	Not compliant*				Fully compliant
a					✓
b					✓

- a That committee or panel members are made fully aware of the status, role and function that they are required to perform on either a main or secondary committee.
In addition to general Councillor Induction for newly elected members, Pensions Committee / POB members are briefed on appointment to Pensions Committee / POB by the Head of Pensions. Other elected members who do not sit on Pensions Committee are briefed as required / requested.
- b That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.
This is a standing agenda item for each committee and POB meeting.

Principle D – Voting

	Not compliant*				Fully compliant
A					✓

- a The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.
Voting rights are set out in the Norfolk Pension Funds Governance statement which is published on the Funds website, www.norfolkpensionfund.org. All members of Pensions Committee have voting rights, including the Staff Representative. All Employer and Scheme member representatives on POB have voting rights.

Principle E – Training / facility time / expenses

	Not compliant*				Fully compliant
A					✓
B					✓
C					✓

- a That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.
We use Norfolk County Councils' generic elected member remuneration policy, which includes Travel and Subsistence allowances. POB members can claim travel and Subsistence costs incurred. In addition, the Fund maintains a training budget for

Pensions Committee and POB for the delivery of our on-going members training programme, and related expenses.

b That where such a policy exists it applies equally to all members of committees, sub-committees, advisory panels or any form of secondary forum.
All relevant individuals / bodies are treated equally, for example the Staff Representative, members of the Pensions Oversight Board (Local Pension Board).

c That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.
Committee member and POB training needs are considered alongside the 12 month committee agenda planning process. However, training is business driven and therefore the programme is flexible. This allows us to align training most effectively with operational need / current agenda items, and therefore support member decision making. Regular Member training is supplemented by attending LGA and other associated events, as well as an annual comprehensive bespoke Knowledge and Understanding events, talking to leading experts about all aspects of LGPS Investment and Governance and current issues. A Training Log is maintained.

Principle F – Meetings (frequency / quorum)

	Not compliant*					Fully compliant
a						✓
b						✓
c						✓

a That an administering authority's main committee or committees meet at least quarterly.
The Pensions Committee meets quarterly.

b That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.
There is no formal secondary committee or panel. The Employers' Forum meets regularly, planned around operational requirements; POB meets regularly, aligned to Committee timetable.

c That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.
A Staff Representative (who represents all current, deferred and retired scheme members) sits on Pensions Committee. An Observer Seat at Committee is also available to Employers not directly represented, and Employers are reminded of this at Forums and via other publications. In addition, regular Employers' Forums and Retired Members annual events are held. Pensions Clinics for all scheme members (including

(Deferred) are held regularly and an Annual Meeting is offered. The Pensions Oversight Board (Local Pension Board) has equal employer /scheme member membership.

Principle G – Access

	Not compliant*				Fully compliant
a					✓

a That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.

All committee and POB members have equal access to committee papers, documents and advice. Minutes of Committee Meetings are published on Norfolk County Councils website:

http://norfolkcc.cmis.uk.com/norfolkcc/Committees/tabcid/62/ctl/ViewCMIS_CommitteeDetails/mid/381/id/30/Default.aspx

POB minutes are published on the Norfolk Pension Fund's website:
<https://www.norfolkpensionfund.org/about-us/local-pension-board/>

Principle H – Scope

	Not compliant*				Fully compliant
a					✓

a That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.

The Norfolk Pension Fund adopts a holistic approach to pension fund management. Pensions Committee is responsible for all aspects of the management of the pension fund (investment and administration) and delivery of its services, including all relevant budgets, strategies and service planning.

Principle I – Publicity

	Not compliant*				Fully compliant
a					✓

a That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements.

The Norfolk Pension Funds Governance Statement and Communication and Customer Care Strategy are published on the Funds' website www.norfolkpensionfund.org, and included within the Pension Fund Annual Report (which is also published on our

website), with hard copies of each available on request. Employers are reminded via the Employers Forum and Employers Newsletters that there is an observer seat at Committee for Employers not directly represented. Scheme Members receive an annual booklet with news of the Funds performance, legislative changes and other relevant pension's news, and are invited to a formal annual meeting. Retired members are invited to the annual retired members' events, and also receive an annual newsletter. All scheme members and employers were invited to stand for membership of the Pensions Oversight Board (Local Pensions Board).

Appendix V – Actuarial Statement for 2018-19 by Hymans Robertson LLP

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

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2017. In summary, the key funding principles are as follows:

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

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

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2016. This valuation revealed that the Fund's assets, which at 31 March 2016 were valued at £2,901 million, were sufficient to meet 80% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £710 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS.

Individual employers' contributions for the period 1 April 2017 to 31 March 2020 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 2016 valuation report.

Method

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

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 2016 valuation were as follows:

Financial assumptions	31 March 2016
Discount rate	3.8% p.a.
Salary increase assumption	2.5% p.a.
Benefit increase assumption (CPI)	2.2% p.a.

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 2013 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	22.1 years	24.4 years
Future Pensioners*	24.1 years	26.4 years

*Aged 45 at the 2016 Valuation.

Copies of the 2016 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund or on the Fund's website.

Experience over the period since 31 March 2016

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities but there have been strong asset returns over the 3 years. Both events are of broadly similar magnitude with regards to the impact on the funding position.

The next actuarial valuation will be carried out as at 31 March 2019. The Funding Strategy Statement will also be reviewed at that time.



Robert Bilton FFA
For and on behalf of Hymans Robertson LLP
24 April 2019

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

Appendix VI – Glossary

Active Management

A style of investment management which seeks to provide outperformance of a relevant benchmark through asset allocation, market timing or stock selection (or a combination of these). Directly contrasted with passive management that seeks to replicate the performance of a selected benchmark.

Actuarial Valuation

A review of the Pension Fund by a qualified Actuary, which takes place every three years to ensure that employers' contributions are sufficient to maintain the solvency of the Fund in the long-term.

Actuary

An independent qualified consultant who carries out the Actuarial Valuation and advises on new investment strategies or changes to the benefit structure.

Administering Authority

A local authority required to maintain a pension fund under LGPS regulations. Within the geographical boundary of Norfolk this is Norfolk County Council.

Admitted Bodies

An organisation, which, under the Pension Scheme Regulations, is able to apply to the Administering Authority to join the Scheme (e.g. a contractor providing services to the Council or another scheduled body). Upon acceptance, an Admission Agreement is prepared admitting the organisation and allowing its employees to join.

Asset Allocation/Asset Mix

The apportionment of a Fund's assets between asset classes and/or markets. Asset allocation may be either strategic i.e. long-term, or Tactical i.e. short-term, aiming to take advantage of relative market movements.

Assumed Pensionable Pay

Where an employee loses pay due to sickness or reduced pay family related leave, the pay actually received is substituted with "Assumed Pensionable Pay" when calculating "career average" benefits and employer contributions. Assumed Pensionable Pay is the average of pay in the three months prior to the month in which the reduced pay occurs.

Auditor

An independent qualified accountant who is required to verify and agree the Pension Fund Accounts and issue an opinion on their accuracy.

Benchmark

A "notional" fund or model portfolio which is developed to provide a standard against which a manager's performance is measured e.g. for a global equity fund the benchmark against which it will be measured could be made up 70%/30% by UK equities / overseas equities. A target return is generally expressed as some margin over the benchmark.

Bond

A certificate of debt, paying a fixed rate of interest, issued by companies, governments or government agencies.

Collateral

An asset (cash or securities) posted from one counterparty to another, and held as a guarantee against the value of a specified portfolio of trades or other transactions. Commonly referred to as margin, the collateral acts as a credit-risk mitigant. A collateral call is the demand by a derivatives counterparty for an investor to transfer cash or securities to collateralise movements in the value of a derivatives contract.

Currency Forward

An agreement between two counterparties to buy/sell a specified quantity of the underlying currency at a specified future date. Contracts are settled in cash on the expiration date.

Custody/Custodian

Safekeeping of securities by a financial institution. The custodian keeps a register of holdings and will collect income and distribute monies according to client instructions.

Exchange Traded Derivatives Contract

Standardised derivatives contracts (e.g. futures contracts and options) that are transacted on an organised futures exchange.

Equities

Ownership positions (shares) in companies that can be traded on public markets. Often produce income that is paid in the form of dividends. In the event of a company going bankrupt, equity holders' claims are subordinate to the claims of bond holders and preferred stock holders.

Final Pay

This is the figure used to calculate members' benefits that have built up on the "final salary" basis. This is the pay in the last year before leaving, or one of the previous two years' pay if that amount is higher. For a part-time employee, the figure used is the pay an equivalent whole-time employee would have received. Pay lost on account of sickness or reduced pay family leave is added back.

Fixed Interest Securities

Investments in stocks mainly issued by governments, which guarantee a fixed rate of interest.

FTSE

A company that specialises in index calculation. Although not part of a stock exchange, co-owners include the London Stock Exchange and the Financial Times. They are best known for the FTSE 100, an index of the top 100 UK companies (ranked by size).

Fund Manager

A firm of professionals appointed by the Pensions Committee to carry out day to day investment decisions for the Fund within the terms of their Investment Management Agreement.

Futures

Futures contracts are exchange traded contracts to buy or sell a standard quantity of a specific asset at a pre-determined future date. The economic exposure represents the notional value of stock purchased under futures contracts and is therefore subject to market movements.

Gilts

Bonds issued by the British government. They are the equivalent of U.S. Treasury securities

Hedging

A strategy which aims to eliminate a risk in an investment transaction (both upside and downside potential). Often used in the context of overseas investments to eliminate the impact of currency movements.

Index

A benchmark for the performance of a group of shares or bonds.

Index-Linked Securities

U.K. Government issue stocks on which the interest, and eventual repayment of the loan, is based on movements in the Retail Price Index.

Initial Margin

The upfront collateral requirement, set aside as a guarantee to an underlying futures contract, generally a percentage of the notional amount of the contract.

Investment Advisor

A professionally qualified individual or company whose main livelihood is derived from providing objective, impartial investment advice to companies, pension funds or individuals.

Mandate

A set of instructions given to the fund manager by the client as to how a Fund is to be managed (e.g. targets for performance against a benchmark may be set or the manager may be prohibited from investing in certain stocks or sectors).

Market Value

The “on paper” value of a security at a specific point in time. It is calculated by multiplying the number of shares held by market price of that share in sterling terms.

Outperformance/underperformance

The difference in returns gained by a particular Fund against the “average” Fund or an index over a specified time period i.e. a target for a Fund may be outperformance of a given benchmark over a 3-year period.

Passive Management

An investment strategy that seeks to match the return and risk characteristics of a market segment or index, by mirroring its composition. also called passive portfolio strategy.

Pensionable Pay

This is the pay on which employee and employer pension contributions and "career average" benefits are based. Where an employee loses pay due to sickness or reduced pay family related leave then "Assumed Pensionable Pay" is used instead to calculate employer contributions and benefits.

Performance

A measure, usually expressed in percentage terms, of how well a Fund has done over a particular time period – either in absolute terms or as measured against the “average” Fund of a particular benchmark.

Portfolio

Term used to describe all investments held.

Private Equity

Investments in new or existing companies and enterprises which are not publicly traded on a recognised stock exchange.

Regulations

The Scheme is governed by Regulation approved by Parliament. Necessary amendments are made to these Regulations by means of Statutory Instruments.

Resolution Body (designating body)

A resolution body is an organisation which has the right to join the Scheme if it elects to do so (e.g. a Parish Council). Membership may apply to some or all of its employees.

Risk

Generally taken to mean the variability of returns. Investments with greater risk must usually promise higher returns than more “stable” investments before investors will buy them.

Scheduled Bodies

These are organisations as listed in the Local Government Pension Scheme Regulations 1997 (Schedule 2) such as County Councils and District Councils etc, the employees of which may join the Scheme as of right.

Securities

Investment in company shares, fixed interest or index-linked stocks.

Statement of Investment Principles

Requirement, arising from the Pensions Act 1995, that all occupational pension plan trustees must prepare and maintain a written Statement of Investment Principles outlining policy on various investment matters (e.g. risk, balance between real and monetary assets, realisability of assets etc).

Transfer Values

Capital value transferred to or from a scheme in respect of a contributor's previous periods of pensionable employment.

Unit Trusts

A method which allows investors' money to be pooled and used by fund managers to buy a variety of securities.

Variation Margin

A cash collateral requirement that moves up and down with the value of a futures contract.

Yield Curve

A graphic line chart that shows interest rates at a specific point for all securities having equal risk, but different maturity dates. For bonds, it typically compares the two- or five-year Treasury with the 30-year Treasury.

PART 8.1**MEMBERS' CODE OF CONDUCT**

I undertake to observe Norfolk County Council's Members' Code of Conduct.

Signed: Date:

Introduction to the Code

This Code of Conduct is a key part of the Authority's discharge of its statutory duty to promote and maintain high standards of conduct by its members and co-opted members. It is very much focused upon the principles of conduct in public life of selflessness, integrity, objectivity, accountability, openness, honesty, and leadership and it is the intention of the Authority that the Code be used exclusively in that context and not for any other purpose. It sets an objective, non political and high standard whose purpose is to remind members of the Authority of the behaviour expected of them in public life and to set out clearly the key principles against which their conduct will be measured.

The Code also contains provisions for registration and declaration of interests the breach of which will now attract potential criminal sanctions.

The Council's Standards Committee hears breaches of the Code and decides on sanctions against members found to be in default. Working closely with the Council's Monitoring Officer and Independent Person, the Standards Committee will oversee a straightforward and robust regime dealing only with substantial ethics and standards issues and filtering out the inconsequential, trivial and vexatious. The Code will deal in broad common sense principles and neither it nor the supporting arrangements are intended to be over-technical or over-procedural. To return to the wording of the statute, the Code is the Authority's public statement on the promotion and maintenance of high standards of conduct in public life.

Every member and co-opted member of Norfolk County Council, must sign an undertaking to observe the Code in the terms set out below.

The Code

As a member or co-opted member of Norfolk County Council, I have a responsibility to represent the community and work constructively with our staff and partner organisations to secure better social, economic and environmental outcomes for all.

In accordance with the Localism Act 2011 provisions, when acting in this capacity I am committed to behaving in a manner that is consistent with the following principles to achieve best value for our residents and maintain public confidence in this authority.

SELFLESSNESS: Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

INTEGRITY: Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

OBJECTIVITY: In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

ACCOUNTABILITY: Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

OPENNESS: Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

HONESTY: Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

LEADERSHIP: Holders of public office should promote and support these principles by leadership and example.

As a Member of Norfolk County Council my conduct will in particular address the statutory principles of the Code by:

- Championing the needs of residents – the whole community and in a special way all my constituents and putting their interests first.
- Dealing with representations or enquiries from residents, members of our communities and visitors fairly, appropriately and impartially.
- Not allowing other pressures, including the financial interests of myself or others connected to me, to deter me from pursuing constituents' casework, the interests of Norfolk nor the good governance of the authority in a proper manner.
- Exercising independent judgement and not compromising my position by placing myself under obligations to outside individuals or organisations who might seek to influence the way I perform my duties as a member/co-opted member of this authority.
- Listening to the interests of all parties, including relevant advice from statutory and other professional officers, taking all relevant information into consideration, remaining objective and making decisions on merit.

- Being accountable for my decisions and co-operating when scrutinised internally and externally, including by local residents.
- Contributing to making this authority's decision-making processes as open and transparent as possible to enable residents to understand the reasoning behind those decisions and to be informed when holding me and other members to account but restricting access to information when the wider public interest or the law requires it.
- Behaving in accordance with all our legal obligations, alongside any requirements contained within this authority's policies, protocols and procedures, including on the use of the Authority's resources.
- Valuing my colleagues and staff and engaging with them in an appropriate manner and one that underpins the mutual respect between us that is essential to good local government.
- Always treating people with respect, including the organisations and public I engage with and those I work alongside.
- Providing leadership through behaving in accordance with these principles when championing the interests of the community with other organisations as well as within this authority.

The Localism Act provides for the disclosure and registration of Disclosable Pecuniary Interests ("DPIs"). I agree to notify the Monitoring Officer of my DPIs as soon as I become aware of them and in any event within 28 days. The Monitoring Officer will retain a register of my DIPs and will publish these on the Authority's website. If I have a DPI in a matter to be considered at a meeting and I have not notified the Monitoring Officer of that DPI, I shall disclose it to the meeting. In all cases where I have a DPI in a matter to be considered at a meeting I will not speak or vote at that meeting.

If a matter to be considered at a meeting affects, to a greater extent than others in my division:

- my wellbeing or financial position or
- that of family or close friends
- that of a club or society in which I have a management role
- that of another public body of which I am a member

then I will declare an interest (an "Other Interest") but provided it is not a DPI I may speak and vote on the matter.



Norfolk Pension Fund



Investment Strategy Statement

July 2019

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1.0 Introduction and Background

- 1.1 This is the Investment Strategy Statement (“ISS”) of the Norfolk Pension Fund (“the Fund”), which is administered by Norfolk Council, (“the Administering Authority”). The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (“the Regulations”).
- 1.2 The ISS has been prepared by the Fund’s Pension Committee (“the Committee”) having taken advice from the Fund’s investment adviser, Hymans Robertson LLP. The Committee acts on the delegated authority of the Administering Authority.
- 1.3 The ISS is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund’s investment strategy with such persons it considers appropriate.
- 1.4 The Committee seeks to invest in accordance with the ISS any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund’s Funding Strategy Statement.
- 1.5 The Committee strongly believe that well governed pension schemes benefit from improved outcomes over the long-term. The Committee has developed a set of investment beliefs (Appendix 1) which promote good governance by providing a framework for all investment decisions.

2.0 Investment of Money

- 2.1 The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. This funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.
- 2.2 The Fund has built up assets over the years and continues to receive contribution and investment income. All of this must be invested in a suitable manner, which is the investment strategy.
- 2.3 The investment strategy is set for the long-term but is reviewed from time to time. Normally a full review is carried out as part of each actuarial valuation and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund’s objectives.

2.4 The LGPS continues to see increased numbers and diversity of participating employers. Following the post 2016 actuarial valuation investment strategy review, it was agreed to move from one to three investment strategies, each with different asset allocations. Employers were allocated to the investment strategy that was deemed most appropriate to their funding objectives, liability characteristics and current funding position. For further details please refer to Appendix H of the Funding Strategy Statement.

2.5 The approach taken by the Fund in setting and maintaining its funding and investment objectives is detailed below.

2.6 Funding Objectives - Ongoing Plan

2.6.1 The Committee aims to fund the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary and/or inflation increases.

2.6.2 The assumptions used for this test, corresponding with the assumptions used in the latest Actuarial Valuation, are shown in Appendix 2. This position will be reviewed at least at each triennial Actuarial Valuation. The Committee will be advised of any material changes to the Fund during the period between valuations.

2.7 Funding Objectives – Funding Strategy Statement

2.7.1 The Fund has published a Funding Strategy Statement (FSS). Its purpose is:

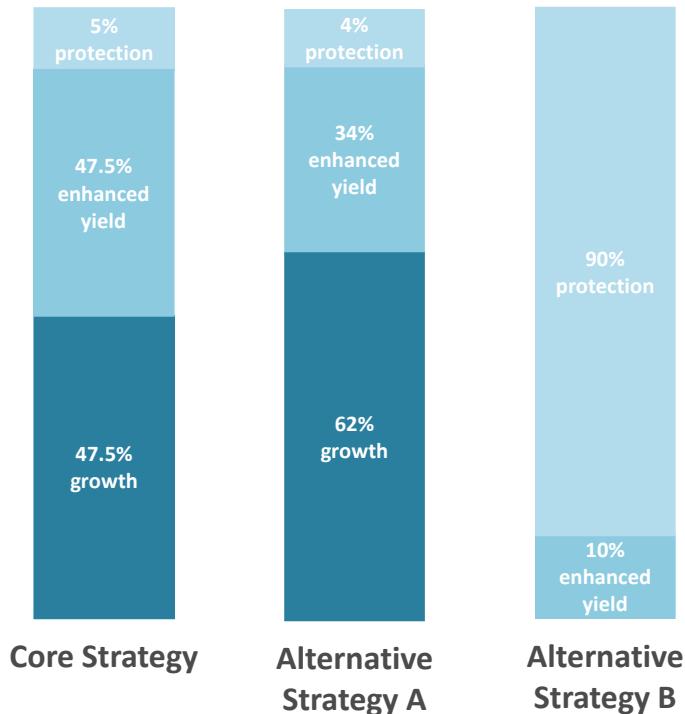
- “to establish a clear and transparent Fund-specific strategy which will identify how employers’ pension liabilities are best met going forward;
- to support the regulatory framework to maintain as nearly constant employer contribution rates as possible; and
- to take a prudent longer-term view of funding those liabilities.”

2.7.2 We recognise that these objectives are desirable individually, but may be mutually conflicting. The FSS sets out how the Administering Authority has balanced the conflicting aims of affordability of contributions, transparency of process, stability of employers’ contributions, and prudence in the funding basis.

2.7.3 Copies of the FSS can be obtained from the publication section of the Fund’s website at www.norfolkpensionfund.org or by writing to the Fund at the address at the end of this document.

2.8 Investment objectives and strategy

- 2.8.1 The Fund aims to achieve, over the long term, an overall return on investment assets which is in excess of the investment return assumed in the Actuarial Valuation.
- 2.8.2 The investment strategy was formally reviewed in 2016-17 through an asset-liability exercise which incorporated the results of the 2016 Actuarial Valuation. The next review, based on the results of the 2019 valuation, is due to be completed by the end of 2019-20.
- 2.8.3 The exercise took account of the following: -
 - The liability profile of the Fund;
 - The solvency of the Fund (i.e. ratio of assets to liabilities);
 - The expected contributions;
 - The risk tolerance of the Committee.
- 2.8.4 As a result of the review, a number of changes to the asset allocation strategy were approved by the Committee. From July 2017, the Fund moved from operating a single investment strategy for all employers to three distinct investment strategies with different allocations to growth, enhanced yield and protection assets.
- 2.8.5 The Fund continues to operate a Core Investment Strategy which the majority of employers participate in. Alongside the Core Strategy, the Fund now also operates two additional investment strategies; Alternative Strategy A and Alternative Strategy B. The high level investment strategies are illustrated below (target allocations shown):



- 2.8.6 Alternative Strategy A has a higher allocation to growth assets than the Core Strategy. As a result, this strategy is targeting a higher level of returns and therefore is taking a higher level of investment risk.
- 2.8.7 Alternative Strategy B has no allocation to growth assets. As a result, this strategy is targeting a lower level of returns and therefore is taking a lower level of investment risk.
- 2.8.8 The Fund will continue to implement the new strategies during 2019-20.

2.9 Rebalancing of assets

- 2.9.1 Having approved the asset allocations, the Committee monitors the Fund's actual asset allocation on a regular basis to ensure it does not notably deviate from the target allocations. The Fund's approach to asset class rebalancing is set out in Appendix 3.

3.0 Suitability of Particular Investment Types

3.1 Asset classes

- 3.1.1 The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities, bonds, cash, property, infrastructure and timberland either directly or through pooled funds. The Fund may also make use of derivative contracts either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks.

Norfolk Pension Fund - Investment Strategy Statement

3.1.2 The Committee reviews the nature of Fund investments on a regular basis, with particular reference to suitability and diversification. The Committee seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a security or product not previously known to the Committee is proposed, appropriate advice is sought and considered (and training provided) to ensure its suitability and diversification.

3.1.3 The target asset allocation within each asset portfolio is set out below (Tables 1-3). The asset allocation within each asset class portfolio is maintained by asset rebalancing (Appendix 3). The intention is that the maximum invested in a particular asset class will be the target allocation plus a 2% rebalancing tolerance. The target allocation and the rebalancing tolerance is subject to periodic review.

Table 1: Growth asset portfolio allocation

Asset class	% of Growth Portfolio
UK equities	26.0
Global equities	30.5
Overseas equities	31.0
Private equity	12.5
Total Growth Assets	100.0

Table 2: Enhanced Yield asset portfolio allocation^[1]

Asset class	% of Enhanced Yield Portfolio
Property	26.0
Infrastructure	21.5
Timberland	3.0
Multi-asset credit	17.75
Absolute return	13.0
Investment grade corporate bonds	9.75
Distressed debt	4.0
Real estate debt	3.0
Specialist credit	2.0
Total Enhanced Yield Assets	100.0

[1] The strategic splits between the MAC mandates will be discussed in more detail over the remainder of 2019-20. In the interim the Fund's actual splits provide a reasonable approximation for such splits.

Table 3: Protection asset portfolio allocation

Asset class	% of Protection Portfolio
Gilts	50.0
Index-linked gilts	50.0
Total Protection Assets	100.0

3.2. Restrictions on investment

3.2.1 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 have largely removed the investment restrictions that formed part of the previous regulations. The Fund will monitor the appropriateness of imposing its own investment restrictions relevant to the particular asset class and having taken appropriate professional advice. In line with the Regulations, the Fund's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with the administering authority (within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007).

3.3 Managers

- 3.3.1 The Committee has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.
- 3.3.2 The Committee, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that they reflect the Fund's strategic objectives. The Investment Managers are given discretion over the management of their portfolio against the specified benchmark but within agreed investment guidelines. Investment Managers are expected to maintain a diversified portfolio within the guidelines provided to them.
- 3.3.3 The Managers appointed to manage the Fund's assets are summarised in Appendix 4, this includes the investments made via the ACCESS pool. The current structure embraces specialist management. A range of different Managers are employed, with different benchmarks and targets to reflect their specific mandates.
- 3.3.4 A management agreement is in place for each Investment Manager which sets out the relevant benchmark, performance target, asset allocation ranges and any restrictions, as determined by the Committee. The kinds of investments which the Managers may hold, together with a summary of each Manager's brief, are summarised in Appendix 4.

3.3.5 The Fund's assets are predominantly managed on an active basis and the managers are expected to outperform their respective benchmarks over the long term. The exception to this approach is a proportion of the UK equity holdings and government bonds, which are managed on a passive basis. The return on these mandates are intended to track the return of the benchmark index.

3.3.6 The majority of stocks held by the Fund's Investment Managers are quoted on major stock markets and may be realised quickly if required in normal market conditions. The Fund also has currency hedging mandates in place. The underlying instruments in these mandates tend to be highly liquid. Property, distressed debt, direct lending, specialist credit investments, infrastructure and private equity partnerships, which are relatively illiquid, currently make up a lower (albeit still notable) proportion of the Fund's assets. In periods of market volatility the liquidity of most investment classes will fall.

3.4 Custody

3.4.1 HSBC has been appointed as Global Custodian of the Fund's assets. The Fund participates in a collateralised securities-lending programme managed by the Custodian. This is restricted to a maximum loan balance of £150 million and an individual borrower limit (applied at parent borrower level) of £25 million. In addition HSBC provide certain additional indemnifications as part of the lending agreement with them to protect the Fund in the event of borrower default.

4.0 Approach to Investment Risk

4.1 The Committee is aware that the Fund has a need to take risk (e.g. investing in growth assets) to help it achieve its funding objectives. It has an active risk management programme in place that aims to help it identify the risks being taken and put in place processes to manage, measure, monitor and (where appropriate and possible) mitigate the risks being taken. One of the Committee's overarching beliefs is to only to take as much investment risk as is necessary.

4.2 The principal risks affecting the Fund are set out below, we also discuss the Fund's approach to managing these risks and the contingency plans that are in place.

4.3 Funding risks

4.3.1 Funding risks include:

- Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.

- Changing demographics –The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits.
- Environmental, social and governance (“ESG”) – The risk that ESG related factors reduce the Fund’s ability to generate the long-term returns and also may impact the Fund’s liabilities.
- Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial ‘contagion’, resulting in an increase in the cost of meeting the Fund’s liabilities.

4.3.2 The Committee measures and manages financial mismatch in two ways. As indicated above, the Committee has set strategic asset allocation benchmarks for the Fund. These benchmarks were set taking into account asset liability modelling which focused on probability of success and level of downside risk. The Committee assesses risk relative to the strategic benchmark by monitoring the Fund’s asset allocations and investment returns relative to these benchmarks. The Committee also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

4.3.3 The Committee also seeks to understand the assumptions used in any analysis and modelling so they can be compared to their own views and the level of risks associated with these assumptions to be assessed.

4.3.4 The Fund’s longevity assumptions are reviewed as part of the Fund’s triennial valuation process.

4.3.5 Details of the Fund’s approach to managing ESG risks is set out later in this document.

4.3.6 The Committee seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

4.4 Asset risks

4.4.1 Asset risks include:

- Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Illiquidity - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.
- Currency risk – The risk that the currency of the Fund’s assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

- Credit – the risk that one of the Fund’s bond/credit holdings investments defaults on its obligations

4.4.2 The Committee measure and manage asset risks as follows:

- The Fund invests in a diversified range of asset classes. The Committee has put in place rebalancing arrangements to ensure the ‘actual allocation’ within each asset class portfolio does not deviate substantially from its target. Similarly, there are rebalancing arrangements in place to ensure that the allocation to growth, enhanced yield and protection assets in each strategy does not deviate substantially from its target allocation.
- The Fund invests in a range of investment mandates each of which has a defined objective, investment universe and performance benchmark which, when taken in aggregate, helps reduce the Fund’s asset concentration risk. By investing across a range of assets, including liquid quoted equities and bonds, the Committee has recognised the need for access to liquidity in the short term. When assessing managers, the Committee gives considerable focus to managers’ ability to assess the credit worthiness of their underlying investments.
- The Committee assess the Fund’s currency risk during their risk analysis. The Fund invests in a range of overseas markets which provides a diversified approach to currency markets. The Fund also has a dynamic currency hedging mandate in place that helps to manage this risk.
- The Committee has considered the risk of underperformance by any single investment manager and have attempted to reduce this risk by appointing more than one manager and having a proportion of the Fund’s assets managed on a passive basis. The Committee assess the Fund’s managers’ performance on a regular basis, and will take steps, including potentially replacing one or more of their managers, if underperformance persists.

4.5 Other provider risk

4.5.1 Other provider risks include:

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Committee seeks suitable professional advice.
- Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- Credit default - The possibility of default of a counterparty in meeting its obligations.

- Stock-lending – The possibility of default and loss of economic rights to Fund assets.

4.5.2 The Committee monitors and manages risks in these areas through a process of regular scrutiny of its providers (including the Pool – see comments below), and audit of the operations it conducts for the Fund, or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds). The Committee has the power to replace a provider should serious concerns exist.

4.6 Monitoring and reporting risks

4.6.1 A more comprehensive breakdown of the risks to which the Fund is exposed and the approach to managing these risks is set out in the Fund's Risk Register. The Risk Register is reviewed by Committee every six months and is available from the Fund's web site.

5.0 Approach to Asset Pooling

5.1 The Fund is a participating scheme in the ACCESS (A Collaboration of Central, Eastern and Southern Shires) Pool. The ACCESS Funds are Cambridge, East Sussex, Essex, Hampshire, Hertfordshire, Isle of Wight, Kent, Norfolk, Northamptonshire, Suffolk and West Sussex. The structure and basis on which the ACCESS Pool operates was set out in the July 2016 submission to Government and subsequent updates to Government.

5.2 Assets to be invested in the Pool

5.2.1 The Fund's intention is to invest its assets through the ACCESS Pool as and when suitable Pool investment solutions become available. An indicative timetable for investing through the Pool was set out in the July 2016 submission to Government. The key criteria for assessment of Pool solutions will be as follows:

- That the Pool enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund.
- That there is a clear financial benefit to the Fund in investing in the solution offered by the Pool, should a change of provider be necessary.

5.2.2 At 31 March 2019, the Fund had 28% of assets (c£1bn) invested in the ACCESS pool, with investments in the Baillie Gifford and Fidelity sub-funds and the UBS passive mandates.

5.2.3 The Fund has elected not to pool certain illiquid assets (e.g. direct property and private equity) and assets held within closed ended pooled vehicles (e.g. indirect property) at this time, on the basis that it is not economically viable to transition these assets to the pool. Any asset that remain outside of the Pool will be reviewed at least every three years to determine whether the rationale remains appropriate, and whether it continues to demonstrate value for money. The next such review will take place no later than 2019-20.

5.3 Structure and governance of the ACCESS Pool

- 5.3.1 The July 2016 submission to Government of the ACCESS Pool provided a statement addressing the structure and governance of the Pool, the mechanisms by which the Fund can hold the Pool to account and the services that will be shared or jointly procured.
- 5.3.2 An Inter-Authority Agreement (IAA) has been signed by all 11 authorities defining governance and cost sharing arrangements for the ACCESS Pool.
- 5.3.3 The ACCESS Pool is governed by a joint Committee (JC) made up of one elected councillor from each authority's Pension Committee.
- 5.3.4 As the Pool develops, as the structure and governance of the Pool are fully established, and as the regulation surrounding asset pooling is confirmed, the Fund will include further information in future iterations of the ISS.

6.0 Environmental, Social and Corporate Governance

- 6.1 At the present time, the Committee does not take into account non-financial factors when selecting, retaining, or realising its investments. It does however recognise that environment, social and governance (ESG) factors can influence long term investment performance and the ability to achieve long term sustainable returns. The Committee therefore considers the following two key areas of responsible investment:
 - **Corporate Governance / Stewardship** – acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.
 - **Sustainable investment / ESG factors** – considering the financial impact of environmental, social and governance (ESG) factors on its investments.

6.2 The Committee takes ESG matters very seriously and will regularly conduct reviews of its policies in this area and its investment managers' approach to ESG. The Committee has developed a set of responsible investment beliefs as one of its four core Investment Beliefs. These are detailed in Appendix 1.

6.3 Corporate Governance / Stewardship

6.3.1 The Fund takes the following approach to Corporate Governance / Stewardship:

- The Committee believe that the adoption of good practice in Corporate Governance will improve the management of companies and thereby increase long term shareholder value. The Committee expect the Investment Managers to make regular contact at senior executive level with the companies in which the Fund's assets are invested, both as an important element of the investment process and to ensure good Corporate Governance. The Committee have developed their own corporate governance engagement policy which includes specific consideration of environmental and social matters. Details of the current policy are set out in Appendix 5.
- The Fund believes in collective engagement and is a member of the Local Authority Pension Fund Forum (LAPFF), through which it collectively exercises a voice across a range of corporate governance issues.
- The Fund has appointed RREV (Research Recommendation and Electronic Voting) to undertake voting of the Fund's shares in line with the voting policy set out in Appendix 4 in respect of all resolutions at annual and extraordinary general meetings of companies.
- The Fund does not vote its shares in share-blocked markets as a matter of course, due to restrictions on dealing that may then arise.

6.4 Sustainable Investment / ESG factors

6.4.1 The Fund takes the following approach to Sustainable Investment / ESG factors:

- The Committee recognise that social, environmental and governance considerations are among the factors that can affect the financial return on investments. The Committee expects the managers to engage with the companies in which the Fund invests with the objective of seeking to enhance shareholder value over the long term.

- Appendix 5 sets out in detail the Fund's approach to responsible engagement.

6.5 Compliance with Myners Principles

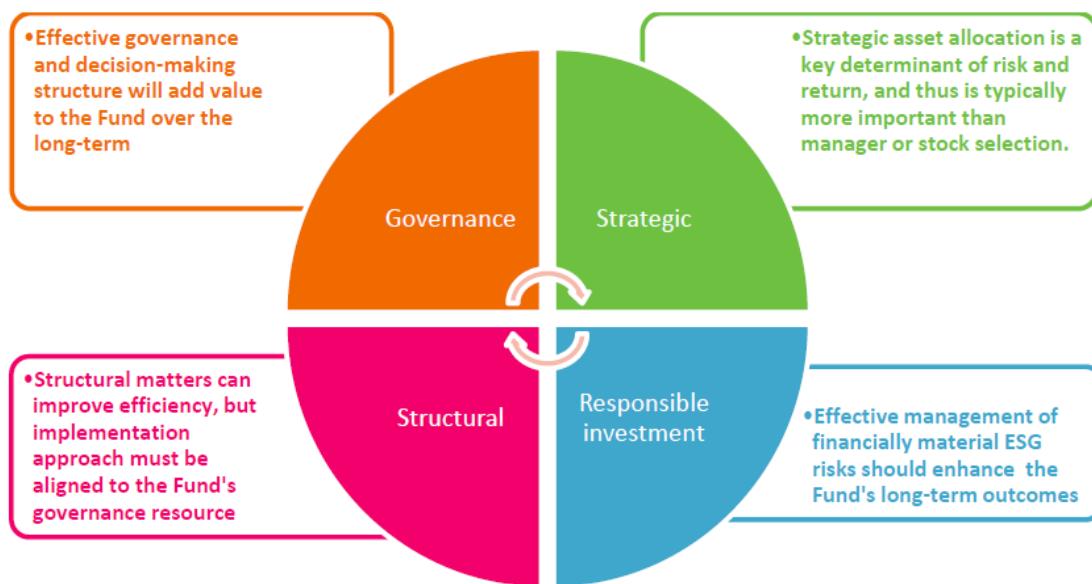
6.5.1 The Myners report on Institutional Investment in the UK was published in 2001. Following pension industry consultation in 2007, the ten principles of good investment practice, were consolidated into six overarching principals. Norfolk's compliance with these investment principles is detailed in Appendix 6.

APPENDIX 1 – Investment Beliefs

Norfolk Pension Fund investment beliefs

1. The Committee of the Norfolk Pension Fund (“the Fund”) strongly believe that well governed pension schemes benefit from improved outcomes over the long-term. They also take the view that a clear set of investment beliefs can help achieve good governance by providing a framework for all investment decisions. The Committee has four headline beliefs, with a number of sub-beliefs sitting underneath these headlines. Details of the Fund’s investment beliefs are provided in this document. All beliefs will be reviewed on an ongoing basis to ensure that they remain appropriate.

Chart 1: Headline beliefs



2. Governance

A well-run Fund offers a number of benefits, most notably improving funding outcomes, but also to the local economy given a large number of people in the area relies on the Fund for their pension and the local employer base.

Clear and well defined objectives are essential to reflect the Fund’s long-term¹ strategic direction of travel and to help build a plan for achieving these objectives.

The Committee supports long term investing as a means of enhancing returns, reducing transaction costs and encouraging improved governance at a corporate level.

¹ (1) The Committee view long-term as typically being greater than 15 years, medium-term typically being between 3-15 years and short-term being less than 3 years

There are a number of factors that lead to good decision making, most notably taking a long-term approach to any decisions, Members' having a clear understanding of their fiduciary duties and the Committee and Officers having the appropriate levels of knowledge and understanding, hence the Fund's commitment to high quality Member training.

Fees and costs matter. It is important to get the best value from the Fund's providers and to understand and minimise, as far as possible, any cost leakages from the investment process.

The Committee believes in full and transparent disclosure of investment and administration costs. It recognises the importance of adequate resources to operate effective financial reporting and controls and effective and efficient provision of scheme administration and related activities. It recognises the importance of these functions in facilitating and demonstrating good oversight and governance to multiple stakeholders.

The Fund should maintain access to skilled, high quality internal and external professional advice to support effective implementation and management of its investment and administration activities.

3. Strategic

Clear investment objectives are essential. Return and risk should be considered relative to the Fund's liabilities, funding position and contribution strategy. The information in the Fund's Funding Strategy Statement should be taken into consideration when setting investment strategy.

Employer covenant is a factor when it comes to setting investment strategy. In most cases, the strength of employers' covenants allows the Fund to take a long term view of investment strategy. However, it is appreciated there may be certain employers when a short-term to medium-term horizon is more appropriate and there is a need to develop technical solutions to accommodate this. As such the Fund has implemented three employer-specific investment strategies to reflect this belief.

Ongoing risk assessment is essential. This assessment can take many forms including (but not limited to):

- To understand progress relative to the long-term plan at an individual investment strategy level
- The implications of the increasing diversity and maturity of the Fund's underlying employers, including the impact on the Fund's net cash flow position, and;
- The risks associated with the Fund's managers and counterparties.

4. Structural

There exists a relationship between the level of investment risk taken and the rate of expected investment return. However, for certain investments, it may take a long period of time for this relationship to be established.

Markets are not always efficient, which can create opportunities for investors. For the majority of such opportunities, the Fund's investment managers are likely to be in the best position to exploit them.

Equities are expected to generate superior long-term returns relative to government bonds.

Alternative asset class investments are designed to further diversify the Fund and improve its risk-return characteristics. A premium return (net of fees) is required for any illiquid investments.

Currency volatility increases the Fund's risks and therefore should be managed.

Active management can add value but it is not guaranteed. If accessing active management, it is important that a manager's philosophy and processes are well defined, fees are good value and the manager is given an appropriate timescale to achieve their performance target.

Passive management has a role to play in the Fund's investment structure, most notably in more efficient investment markets.

Transitions between managers and asset classes can result in considerable transaction costs and market risks. It is important such transitions are carefully managed.

5. Responsible investment

Effective management of financially material environmental, social and governance ("ESG") risks should enhance the Fund's long-term outcomes.

The Committee prefer to take a holistic approach to ESG matters, rather than to focus on single issues.

Proactive engagement with the companies in which the Fund invests is the most effective means of understanding and influencing their social, environmental and business policies.

Investment managers should sign up and comply with the Financial Reporting Council's Stewardship Code. If they are not signed up, there should be a clear response as to why not.

Norfolk Pension Fund - Investment Strategy Statement

The Fund's investment managers should review investee companies' approaches to employee rights and the risks within this. Managers should engage with companies where they believe there is room for improvement. This should be done on a global basis and reported on at least six-monthly. The Committee will hold the managers to account on the level and quality of their engagement.

APPENDIX 2 – Funding Objectives (Actuarial Assumptions)

1. Main Actuarial Assumptions as at the 31 March 2016 valuation were

	<i>Nominal per annum</i>	<i>Real per annum</i>
<i>Price Inflation (CPI)</i>	2.2	-
<i>Pay Increases</i>	2.5	0.3
<i>Investment return (discount rate)</i>	3.8	1.6

2. The Actuarial Valuation as at 31 March 2016 was carried out using the assets of the Fund at their market value as recorded in the audited Fund accounts for the period ended 31 March 2016, consistent with the approach of valuing liabilities by reference to spot market conditions on the valuation date. In addition an allowance has been made for payments in respect of early retirement strain and augmentation costs granted prior to the valuation date for consistency with the valuation of liabilities.
3. It should be noted that the absolute returns as given above are not critical to the results of the Valuation - it is the returns relative to one another which are more significant (in particular, the return achieved in excess of inflation).

The actuarial assumptions also include statistical assumptions; for example, rates of ill health and mortality. All assumptions are reviewed as part of the formal actuarial valuation that is carried out every 3 years. In addition, the actuary will also review the funding position during the inter-valuation period, taking into account the actual experience, including early retirements, since the previous triennial actuarial valuation.

4. For full details please see the 2016 Valuation Report which is available from the Fund's website at www.norfolkpensionfund.org.

5. Past Service Funding Position at 31 March 2016

<i>Accrued (Past Service) Liabilities</i>	£m
<i>Past service liabilities:</i>	
Employee Members	1,202
Deferred Pensioners	741
Pensioners	1,668
Total	3,611
Assets	
Market Value of Assets	2,901
Total Value of Assets	2,901
Surplus (Deficit)	(710)
Funding Level	80%

APPENDIX 3 – Asset Mix and Rebalancing

The Fund operates three investment strategies; Core, Alternative A and Alternative B. Each strategy has a target allocation to the underlying Growth, Enhanced Yield and Protection asset portfolios as outlined in the table below.

Table: Appendix 3 – Table 1

	Core Strategy	Alternative Strategy A	Alternative Strategy B
Growth portfolio	47.5%	62.0%	0.0%
EY portfolio ^[1]	47.5%	34.0%	10.0%
Protection portfolio	5.0%	4.0%	90.0%
Total	100.0%	100.0%	100.0%

^[1] Enhanced Yield (“EY”)

The target asset allocations within each of the asset portfolios is outlined in the tables below.

Table: Appendix 3 – Table 2
Growth asset portfolio allocation

Asset class	% of Growth Portfolio
UK equities	26.0
Global equities*	30.5
Overseas equities*	31.0
Private equity	12.5
Total Growth Assets	100.0

* The Fund has a dynamic currency hedging programme in place with Berenberg Bank and Insight to hedge the Euro, US Dollar and Japanese Yen denominated positions within the portfolios of Fidelity, Wellington and Capital. The combined benchmark hedge ratio (the proportion hedged to Sterling) is 25% for Euro and USD and 12.5% for Yen. The managers are tasked to produce an outcome superior to the fixed hedge, with a particular emphasis on protecting the Fund in periods of drawdown (Sterling weakness). At 31 March 2019, due to extreme market conditions the currency hedging mandates have been suspended.

Table: Appendix 3 – Table 3
Enhanced Yield asset portfolio allocation

Asset class	% of Enhanced Yield Portfolio
Property	26.0
Infrastructure	21.5
Timberland	3.0
Multi-asset credit[1]	17.75
Absolute return	13.0
Investment grade corporate bonds	9.75
Distressed debt	4.0
Real estate debt	3.0
Specialist credit	2.0
Total Enhanced Yield Assets	100.0

[1] Includes mandates with Capital, Janus Henderson, Insight and M&G

Table: Appendix 3 – Table 4
Protection asset portfolio allocation

Asset class	% of Protection Portfolio
Gilts	50.0
Index-linked gilts	50.0
Total Protection Assets	100.0

Rebalancing

Table 1 above provides detail the strategic benchmark for each investment strategy, for which the Committee considers has the appropriate risk and reward characteristics for each employer grouping. Tables 2, 3 and 4 above provides detail the strategic benchmark for each portfolio. The Committee has appointed a portfolio of investment managers to provide exposure to the asset classes in the strategic benchmark. The managers are expected to provide the market return (beta) for the asset classes in their mandates plus (for the actively managed mandates) additional returns from the active management (alpha).

1. Over time the differential relative performance of the asset classes and managers will mean that asset allocations (both at a strategic and portfolio level) deviates from the agreed targets and the amount of money invested with each manager deviates from their target proportion of the Fund. Deviations from the targets result in tracking error, which is undesirable. Therefore rebalancing is required to tighten the distribution of returns around the expected return from each investment strategy.
2. Rebalancing entails portfolio transactions, so the benefit has to be weighed against the costs incurred, both in trading and indirectly in the market. Costs of rebalancing are broadly linear (selling twice as much of an asset will cost roughly twice as much). The net benefit of rebalancing is therefore the impact of tracking error less the costs of rebalancing. The exception to this is certain pooled funds where a dilution levy may be triggered if a seller is liquidating a significant holding in the Fund.
3. Hymans Robertson have advised that the trigger point for a rebalance should be when the benefits of the switch outweigh the costs involved. Historical evidence has indicated that such a point is when there is 2% deviation from target (at a strategic level) under normal market conditions.
4. The trigger determines when to rebalance, but not by how much. Hymans Robertson has advised that it does not pay to rebalance all the way to the target allocation, as the costs of rebalancing all the way tend to outweigh the benefits. The Fund's policy is rebalance to 1% from the target allocation.
5. The key risk being run within a pension fund is the proportion invested in growth assets. The Fund's rebalancing procedures for the three portfolios: growth, enhanced yield and protection, are as follows. The rebalancing will take place when one of the portfolios deviates by more than 2% from its target allocation. When rebalancing is required, the portfolio will be taken back to within 1% of the target allocation.
6. In periods of heightened market volatility or other uncertainty the rebalancing process may be temporarily suspended or the pace of rebalancing may be slowed.
7. Rebalancing decisions will be made with due consideration of the liquidity of the underlying assets.
8. The principles for rebalancing the Fund's investment strategies will be applied to the Fund's asset portfolio and manager rebalancing.

APPENDIX 4 – Appointed Managers and Cash Management Strategy

Kinds of Investments held by Each Manager

		Equities		Bonds		Index-linked		Property	Infra-structure	Timber-land
		UK	Overseas	UK	Overseas	UK	Overseas			
GSAM	Fixed Interest (Absolute Return)			See note below on Absolute Return Fixed Interest						
Janus Henderson	Fixed Interest (Credit)			✓						
Janus Henderson	Fixed Interest (Gilts and index link)			✓						
Insight	Fixed Interest (Gilts and index link)			✓						
Capital	Fixed Interest (Multi-asset credit)			See note on Multi-Credit Fixed Interest Mandates						
Janus Henderson	Fixed Interest (Multi-asset credit)			See note on Multi-Credit Fixed Interest Mandates						
Insight	Fixed Interest (Multi-asset credit)			See note on Multi-Credit Fixed Interest Mandates						
M&G	Fixed Interest (Multi-asset credit)			See note on Multi-Credit Fixed Interest Mandates						
LGIM	Index-linked gilts ^[1]					✓				
UBS (via Pool)	UK Equity	✓								
Baillie Gifford (via Pool)	UK Equity ^[2]	✓								
Fidelity (via Pool)	Overseas Equity		✓							
Capital	Global Equity	✓	✓							
Wellington	Global Equity	✓	✓							
La Salle	Property ^[3]							✓		
M&G	Distressed Debt/Real Estate Debt/ Specialist	See note on Specialist Mandates								
JP Morgan	Infrastructure								✓	
Equitix	Infrastructure								✓	
Aviva	Infrastructure								✓	
Pantheon	Infrastructure								✓	
M&G	Infrastructure								✓	
Stafford	Timberland									✓

[1] The Legal & General Index-Linked GILTs are held for a single employer-specific investment strategy outside of the core investment strategy.

[2] Baillie Gifford has the discretion to invest up to 10% of the value of their mandate in overseas equities.

[3] La Salle has the discretion to invest up to 30% of the property allocation in overseas property funds. LaSalle purchased this part of Aviva's property business during 2018; hence the change in named management firm.

Private Equity

The Fund has a 12.5% target allocation to Private Equity in the Growth Portfolio. Diversification is achieved through geography, stages (venture and buyout) and a mix of primary and secondary allocations. Two Private Equity funds of funds managers have been appointed:

- 1 Standard Life (European and secondary fund of funds)
- 2 HarbourVest (North American, European and Asia Pacific including specialist secondary, Clean-Tech and real asset funds)

It is a characteristic of the asset class that committed funds are drawn down by the managers over time to achieve time diversification within the overall investment. The Fund will continue to make follow on investments to new funds with these managers (subject to suitable due diligence) to maintain its allocation and an appropriate time (vintage year) diversification. The Fund will not commit more than 2% of its value to any individual private equity partnership.

Fixed Interest Mandates

Absolute Return

GSAM has been appointed to run fixed interest mandates against an absolute return (LIBOR) benchmark. GSAM use a pooled vehicle to target the required benchmark. The pooled vehicle invests in a wide range of bonds and financial instruments to target the benchmark return.

Multi-Credit

Janus Henderson, M&G, Insight and Capital have been appointed to run multi-asset credit mandates against a LIBOR benchmark. All managers use pooled vehicles to target the required benchmark. The pooled vehicles invest in a wide range of bonds and financial instruments both in the UK and globally.

Specialist

M&G have been appointed to run three specialist mandates for the Fund ranging across distressed debt, real estate debt and specialist credit. M&G use closed-ended funds which invest in UK and global markets (predominately European).

Benchmark Information

The table below provides details of the target allocation for each Manager.

Growth portfolio*

	Baillie Gifford	UBS	Fidelity	Capital	Wellington	Standard Life	HarbourVest
Proportion of the growth portfolio %	13.0	13.0	31.0	18.5	12.0	5.0	7.5
UK Equities	100.0	100.0					
Global Equities (inc UK)				100.0	100.0		
Overseas Equities (ex UK)			100.0				
US Equities			33.3				
European Equities			30.0				
Japanese Equities			16.7				
Pacific Equities			10.0				
Emerging Equities			10.0				
Private Equity						100.0	100.0

* The Fund has a dynamic currency hedging programme in place with Berenberg Bank and Insight to hedge the Euro, US Dollar and Japanese Yen denominated positions within the portfolios of Fidelity, Wellington and Capital. The currency managers are tasked to produce an outcome superior to the fixed hedge, with a particular emphasis on protecting the Fund in periods of drawdown (Sterling weakness). At 31 March 2019, due to extreme market conditions the currency hedging mandates have been suspended.

Enhanced yield portfolio

	La Salle Property	Aviva Infrastructure	JP Morgan Infrastructure	Equitix Infrastructure	Pantheon Infrastructure	M&G Infracapital	Stafford Timberland
Proportion of the enhanced yield portfolio %^[1]	26.0	2.5	8.0	5.0	3.0	3.0	3.0
Property	100.0						
Infrastructure		100.0	100.0	100.0	100.0	100.0	
Timberland							100.0

	Janus Henderson Corporate bonds	GSAM	Janus Henderson MAC	Capital	Insight	M&G MAC	M&G Distressed Debt	M&G Real Estate Debt	M&G Specialist Credit
Proportion of the enhanced yield portfolio %^[1]	9.75	13.0		17.75			4.0	3.0	2.0
Investment grade corporate bonds	100.0								
Fixed Interest Absolute Return		100.0							
Distressed debt							100.0		
Multi-asset credit			100.0	100.0	100.0	100.0			
Direct lending								100.0	
Specialist credit									100.0

^[1] The strategic splits between the MAC mandates will be discussed in more detail over the remainder of 2019-20. In the interim the Fund's actual splits provide a reasonable approximation for such splits.

Protection portfolio

	Janus Henderson	Insight ^[1]
Proportion of the protection portfolio %	100.0	0.0
UK Government gilts	50.0	50.0
UK Government index-linked	50.0	50.0

^[1] There is no formal target allocation to Insight's bond mandate. At 31 December 2018, c30% of the protection portfolio was managed by Insight (c.70% with Janus Henderson).

Performance Objectives and Fee Arrangements

Aviva	Internal Rate of Return of 7-8% pa (net of fees) Flat rate fees
Baillie Gifford	Benchmark Return + 1.25% pa net of fees Flat rate fees plus performance related element
Berenberg Bank and Insight Investment	To produce an outcome (net of fees) superior to a fixed hedge ratio
Capital International	Benchmark Return + 1.5% pa net of fees Flat rate fees plus performance related element
Capital International (Multi-Asset Credit)	Outperform a blended benchmark (c.50% High Yield Debt, 50% Emerging Market Debt) by +1.5% Flat rate fees
Equitix	Internal Rate of Return of 8.5% p.a. (net of fees) Flat rate fees plus a performance related element
Fidelity	Benchmark Return + 1.5% pa net of fees Flat rate fees
Goldman Sachs Asset Management (Absolute Return – Strategic Income Bonds)	Benchmark Return + 4% pa net of fees Flat rate fees
Insight (Multi-Asset Credit)	Benchmark Return + 4% pa net of fees Flat rate fees
Janus Henderson (Non-Government Bonds)	Benchmark Return + 1.0% pa gross of fees Flat rate fees plus performance related element
Janus Henderson (Government Bonds)	Benchmark Return + 1.4% pa gross of fees Flat rate fees plus performance related element
Janus Henderson (Multi Asset Credit)	Benchmark return + 5% pa net of fees Flat rate fees
JP Morgan	Internal Rate of Return of 8-12% pa (net of fees) Flat rate fees plus performance related element
La Salle	Benchmark Return + 0.75% pa net of fees Flat rate fees
M&G (Absolute Return - Alpha Opportunities)	Benchmark return +3% pa net of fees Flat rate fees

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M&G (Distressed Debt)	Internal Rate of Return of 15% pa (gross of fees) Flat rate fees plus performance element
M&G (Real Estate Debt)	Benchmark + 5% pa (net of fees) Flat rate fees plus performance related element
M&G (Specialist Credit)	Benchmark Return + 8-12% pa gross of fees Flat rate fees plus performance related element
M&G (Infracapital)	Internal Rate of Return of mid-teens (gross of fees) Flat rate fees plus performance related element
Pantheon	Internal Rate of Return of 10-12% pa (net of fees) Flat rate fees plus performance related element
Stafford	Internal Rate of Return of 8.0% pa (net of fees) Flat rate fees plus performance related element
UBS	Benchmark Return Flat rate fees
Wellington	Benchmark Return + 2% pa net of fees Flat rate fees

Benchmark Indices

Growth portfolio

	Index
Baillie Gifford	FTSE All Share
UBS	FTSE All Share
Fidelity	MSCI North America, FTSE AWD Europe, FTSE AWD Japan, FTSE AWD Asia Pacific ex Japan, MSCI Emerging Markets
Capital	MSCI AC World
Wellington	MSCI AC World
Standard Life	FTSE AWD Europe
Harbourvest	FTSE USA and FTSE AWD Asia Pacific ex Japan

Enhanced yield portfolio

	Index
La Salle	IPD PPF All Balanced Funds Index
Janus Henderson (Corporate bonds)	iBoxx Sterling Non-Gilts >15 years TR index
GSAM	ML GBP LIBOR 1-month constant maturity index
Janus Henderson (MAC)	ML GBP LIBOR 3-month constant maturity index
Capital	50% Barclays US HY (2%), 20% JPM EMBI, 20% JPM GBI-EM Global Div, 10% JPM CEMBI Broad Div
Insight	ML GBP LIBOR 3-month constant maturity index
M&G Multi-asset credit	ML GBP LIBOR 1-month constant maturity index
M&G Distressed debt	N/A
M&G Real estate debt	ML GBP LIBOR 1-month constant maturity index
M&G Specialist credit	Euribor

Protection portfolio

	Index
Janus Henderson	FTSE-A UK Government All Stocks TR Index, FTSE-A UK Government All Stocks >5years TR Index
Insight	FTSE-A UK Government All Stocks TR Index, FTSE-A UK Government All Stocks >5years TR Index

Pension Fund Cash Management Strategy

The Cash Management Strategy for the Fund is approved annually by the Pensions Committee.

There are two aspects to cash management within the Fund:

- The cash held on the Pension Fund bank account that is managed using a range of term and overnight deposits by the Norfolk County Council (NCC) treasury team.
- The “frictional” cash held on managers’ accounts within the HSBC custody system. This arises for timing reasons on income, sales and purchases or as a more strategic decision (within mandate limits) taken by the manager.

The management of cash by the NCC treasury team is undertaken in accordance with the treasury management strategy approved by Norfolk County Council, including specified counterparties and maximum individual exposure limits. The arrangement is under-pinned by a formal Service Level Agreement (SLA) between the Pension Fund and Norfolk County Council.

The NCC team may manage the cash using a range of overnight, term deposits, call accounts and money market funds. The cash balances and returns attributable to the Fund are recorded separately from those of NCC or the other organisations for which the team undertakes treasury management activities.

There are three options for frictional cash held by managers:

- Each manager has the option of managing the cash as part of their own treasury management operations, using the counterparty list and lending limits provided by the NCC treasury team. The deals undertaken are monitored for yield comparison and compliance with the NCC counterparty list by the Pension Fund Accounting Team on a monthly basis.
- The manager may opt to sweep the cash to an agreed money market fund. Any fund used in this way must be available for Pension Fund purposes on the NCC approved list (and if appropriate, identified for Pension Fund use only).
- For all other US Dollar and Sterling denominated cash holdings within the HSBC custody system, an overnight sweep is undertaken by the custodian into AAA rated constant NAV (net asset value) money-market funds (US Dollar and Sterling denominated).

APPENDIX 5 – Environmental, Social and Governance Engagement Policy

Fund Policy

The Fund has an overriding fiduciary duty to maximise investment returns for the benefit of the pension fund members. We consider proactive engagement with the companies in which we invest to be the most effective means of understanding and influencing the social, environmental and business policies of those companies. We therefore encourage our investment managers to actively engage with the top management of the companies they invest in.

The Fund maintains membership of the Local Authority Pension Fund Forum (LAPFF) and supports and participates in its engagement activities on behalf of member funds.

Environmental factors are of particular concern because fossil fuels and climate change, the cost of pollution clean-ups and opportunities for the exploitation of green technology and services can be directly linked to long term investment returns. The risks and opportunities from exposure to climate change and fossil fuels should be incorporated on an on-going basis.

As part of their Environmental, Social and Governance (ESG) considerations, the Pension Fund's Investment Managers should review investee companies' approaches to employee rights and the risks within this, including employee safety, working conditions, working hours and pay (including where appropriate the UK Living Wage campaign as detailed below). They should engage with companies where they believe there is room for improvement. This should be done on a global basis and reported on at least six monthly.

The Fund has made Investment Managers aware of its consideration of the Living Wage Campaign. Where appropriate, Managers may consider employee compensation and minimum wages as part of their ESG analysis on companies and on a discretionary basis engage with companies to the extent that these issues have a material impact on business operations and where engagement is judged to be in the best interest of the Fund.

Application

The Fund expects companies to:

- Demonstrate a positive response to all matters of social responsibility.
- Take environmental matters seriously and produce an environmental policy on how their impact can be minimised.

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- Monitor risks and opportunities associated with climate change and fossil fuels and take all reasonable and practical steps to reduce environmental damage.
- Make regular and detailed reports of progress on environmental issues available to shareholders.
- Openly discuss the environmental impacts of their business with shareholders.
- Establish procedures that will incrementally reduce their environmental impact.
- Comply with all environmental and other relevant legislation and seek to anticipate future legislative requirements.

Monitoring the Engagement Process

All the fund managers have robust statements which detail the principles by which they invest in and engage with companies. The fund managers carry out engagement as a matter of course and report progress to us on a quarterly basis.

Managers engage on behalf of all their clients, not just the Norfolk Fund and therefore the Fund will monitor engagement and encourage fund managers to engage on the issues that we consider of primary importance.

1. The Fund will receive regular updates from its managers to understand the issues on which they are engaging and to reassure ourselves of the robustness of their questioning.
2. The Fund will participate in the LAPFF to leverage engagement with other LGPS funds.
3. The Fund is a signatory to the Carbon Disclosure Project. This is an annual initiative which contacts the largest companies in the world annually and asks that they report on their carbon emissions. In this way the Fund can lend its weight to an organisation which is pursuing a direct goal in accordance with our policy.

The Fund expects its external investment managers to sign up and comply with the Financial Reporting Council's Stewardship Code. If they are not signed up, there should be a clear response as to why not.

Voting Policy

Voting is undertaken in accordance with the Pension Fund's voting guidelines (below) by Research Recommendations and Electronic Voting Ltd (RREV), part of the Institutional Shareholder Service (ISS) group.

Voting intention guidelines

		For	Against	Manager Discretion	Notes
	Adoption of Report and Accounts	✓			Any against vote would be via a manual override at the behest of Norfolk managers
2	Final dividend approval	✓			
3	(Re)appointment of				
	Combined Ch/CEO		✓		
	Chairman of the board			✓	<ul style="list-style-type: none"> - AGAINST Chairman chairing Remuneration or Audit Committee - AGAINST Chairman if not considered independent at AGM and sitting in Audit or Remuneration Committee
	Executive director				Vote AGAINST if board is not composed of at least 3 NEDs
	• Rolling contract up to one year	✓			
	• Rolling contract greater than one year		✓		
	• Fixed contract up to two years	✓			
	• Fixed contract over two years		✓		Vote also AGAINST Remuneration Report
	No requirement for subsequent re-election		✓		
	Attendance concerns			✓	Vote AGAINST low meeting attendance without a suitable explanation
	Independent NED	✓			
	Non-independent NED			✓	Vote AGAINST non-independent NED sitting in Audit and Remuneration committee

		For	Against	Manager Discretion	Notes
	Non-independent NED			✓	Vote AGAINST if at least half of the board is not independent (only 2 independent NEDs required in case of small Companies)
	Senior Independent Director			✓	-If no SID, vote AGAINST Ch of Nomination committee -If SID is not independent, vote AGAINST his/her re-election
4	Directors' Remuneration				
	(a) Remuneration policy approval				
	• Policy consistent with good practice	✓			<ul style="list-style-type: none"> • Performance related bonuses + long term performance criteria • No awards below median performance (no more than 33% of award) • Awards bonuses in form of shares • Compensation for loss of office paid annually and dependent upon individual not acquiring another post Follow ISS on topics not covered under policy
	• Policy not consistent with good practice		✓		
	(b) Incentive reward				
	• Proposals consistent with good practice	✓			
	• Proposals not consistent with good practice		✓		
5	All-employee share schemes	✓			
6	Re-appointment of auditors			✓	
7	Changes to articles of association			✓	Vote AGAINST if shareholder value and rights were not protected
8	Scrip Dividend	✓			

		<i>For</i>	<i>Against</i>	<i>Manager Discretion</i>	<i>Notes</i>
9	Share buy backs			✓	Vote AGAINST if Listing Rules/shareholder Guidance were not met
10	Authority to issue shares				
	• Within pre-emption guidelines	✓			Includes updated ABI guidance allowing additional one third in event of rights issues.
	• Not within pre-emption guidelines		✓		
11	Political donations				
	• Authority to make party political donations		✓		
	• Authority to make EU political donations			✓	Vote FOR provided: -not a contentious resolution -the company has a policy against making party political donations
12	Non-routine resolutions			✓	
13	EGM “investment” resolutions			✓	
	Against bundled resolutions				
	Follow ISS for Resolutions not supported by the board				
	Follow ISS when not enough information on any director				

APPENDIX 6 – Level of Compliance with the 6 Principles of Good Investment Practice

	<i>Description of Principle</i>	<i>Norfolk's position</i>	<i>Further development opportunity</i>
1	<p>Effective Decision Making Administering authorities should ensure that:</p> <ul style="list-style-type: none"> ➤ 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. 	<p>Our compliance Norfolk County Council has delegated its pension functions to Pensions Committee. Pensions Committee act as 'quasi trustees'.</p> <ul style="list-style-type: none"> ➤ Regular training is arranged for Committee. ➤ Long term membership is encouraged, which allows all members to become familiar with investment issues. ➤ Substitute Members are not permitted. ➤ Conflicts of interest are actively managed. <p>Pensions Committee have delegated day to day running of the Fund to the Head of Finance. Pensions Committee are supported by the Head of Finance, the Head of Pensions and the pension team on investment and administration issues.</p> <p>Pensions Committee and Norfolk Pension Fund officers involved in investment decisions commission advice as and when required. Hymans Robertson are our current Investment Advisors.</p> <p>Norfolk Pension Fund Committee Members and Officers are supported in developing and maintaining their knowledge and qualifications.</p> <p>Pension Fund investment officers hold relevant financial qualifications and maintain appropriate ongoing professional development (CPD).</p> <p>The Norfolk Pension Fund's Governance Statement is published on our website www.norfolkpensionfund.org.uk</p> <p>The Norfolk Pension Fund is a member of CIPFA's Pensions Network.</p>	<p>Use the CIPFA Knowledge and Understanding Framework to identify additional training needs for Members and Officers</p> <p>Consider sponsoring officers to achieve further professional qualifications.</p>
2	<p>Clear Objectives</p> <ul style="list-style-type: none"> ➤ An overall investment objective(s) should be set for the fund that takes account of the scheme's liabilities, 	<p>Our Compliance</p> <p>The Funding Strategy Statement (FSS) and the Investment Strategy Statement (ISS) set out the Norfolk Pension Funds primary funding objectives.</p>	

	<i>Description of Principle</i>	<i>Norfolk's position</i>	<i>Further development opportunity</i>
	<p>the potential impact on local tax payers, 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.</p>	<p>The Fund, in accordance with regulatory requirements, has an objective of keeping the employers' contribution rate as level as possible while maintaining its solvency. This is achieved by regular actuarial valuations and Asset Liability Modelling.</p> <p>Investment Managers contracts or mandates define the objectives, including targets based on 'customised' and 'bespoke' benchmarks and risk parameters.</p> <p>The Funds policy on Risk is set out in its Investment Strategy Statement (ISS). (Section 4 gives more details of our Risk Management strategy).</p> <p>The Funding Strategy Statement (FSS) and the Investment Strategy Statement (ISS) are published on our website www.norfolkpensionfund.org.uk</p> <p>During inter-valuation years, interim valuation of liabilities are undertaken to monitor our liability and asset match.</p>	
3	<p>Risk and Liabilities</p> <ul style="list-style-type: none"> ➤ 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. 	<p>Our Compliance</p> <p>The Triennial Valuation exercise looks in detail at each participating employer's liability and is used to inform the setting of employers' contribution rates, as well as informing the investment strategy and objectives of the Fund.</p> <p>We also monitor via interim valuations.</p> <p>The Fund undertakes an Asset Liability Modelling (ALM) exercise every three years, following the Triennial Valuation. Any appointment made between the ALM exercise is re-evaluated in terms of risk and appropriateness prior to the procurement process proceeding.</p> <p>The strength of the covenant of participating employers is also considered as part of the exercise establishing contribution rates. The 2016 valuation exercise considered employer covenant in even greater depth.</p> <p>The Fund also participates in Club Vita to help manage and monitor longevity experience.</p>	

	<i>Description of Principle</i>	<i>Norfolk's position</i>	<i>Further development opportunity</i>
		<p>New Admission Agreements are not granted without the presence of a tax backed guarantor.</p> <p>A risk register is monitored monthly and maintained. Pensions Committee review the Risk Register every 6 months.</p> <p>Regular internal audit on the adequacy and effectiveness of risk management and internal control is undertaken and outcomes reported to the Pensions Committee.</p> <p>The Annual Report and Accounts of the Norfolk Pension Fund are subject to a separate external audit and an independent audit opinion is given.</p>	
4	<p>Performance Assessment</p> <ul style="list-style-type: none"> ➢ 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. 	<p>Our Compliance</p> <p>Investment Managers are measured against their targets, which in turn are based on the Fund's bespoke benchmarks. Performance is also monitored annually against the peer group.</p> <p>Market testing of providers is undertaken when appropriate. This includes the use of specialist advisors to undertake reviews, e.g. Custodian</p> <p>The Head of Pensions and the investment team formally meet Investment Managers twice a year to discuss performance, and additionally as required.</p> <p>The aim is for each Investment Manager to report in person to the Committee at least once a year.</p> <p>The Fund maintains a Governance Statement which is available from the Funds website www.norfolkpensionfund.org.uk The Fund also publishes an annual governance compliance statement, which is included within the Annual Report.</p> <p>Pensions Committee attendance and training is monitored and reviewed on a quarterly basis.</p>	<p>The CIPFA Knowledge and Understanding Framework will be used identify additional training needs for Members and Officers</p> <p>Further develop Committee's Terms of Reference to strengthen the monitoring of decision making and performance.</p>

	<i>Description of Principle</i>	<i>Norfolk's position</i>	<i>Further development opportunity</i>
		<p>All active and deferred scheme members receive the 'Your Pension' publication along with their Annual Benefit Statements which includes information on the Funds activity and a summary of the accounts; all retired members receive an annual newsletter with information on Fund developments and a summary of the accounts.</p> <p>The Fund produces a detailed annual report covering all aspects of its performance which is published on the website : www.norfolkpensionfund.org.uk</p>	
5	<p>Responsible Ownership Administering authorities should:</p> <ul style="list-style-type: none"> ➤ 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 Investment Strategy Statement (ISS) ➤ report periodically to scheme members on the discharge of such responsibilities. 	<p>Our compliance</p> <p>The Norfolk Pension Fund monitors Fund Manager adoption of the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents.</p> <p>The Norfolk Pension Funds' Investment Strategy Statement (ISS) (available from the Funds website at www.norfolkpensionfund.org.uk) sets out its policy with regard to corporate governance and socially responsible investment.</p> <p>The Norfolk Pension Fund is a signatory to the Carbon Disclosure Project.</p> <p>The Norfolk Pension Fund is member of the Local Authority Pension Fund Forum (LAPFF). LAPFF exists to promote the investment interests of local authority pension funds, and to maximize their influence as shareholders whilst promoting corporate social responsibility and high standards of corporate governance amongst the companies in which they invest.</p> <p>Voting is undertaken on our behalf by RREV in accordance with our bespoke policy.</p> <p>We publish a record of our voting at the AGMs. The investment in overseas equities with Fidelity and passive UK equities by UBS is via pooled vehicles and therefore the voting is undertaken by the manager. Fidelity publishes a record of its own voting activity.</p> <p>The voting activity of the Pension Fund is reported to Pensions Committee twice a year. Pensions Committee papers are available on the Norfolk County Council website.</p>	<p>Follow up with investment managers their position regarding the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents.</p> <p>Review all existing Investment Management Agreements to ensure that adequate reference is made to the Norfolk Pension Fund's policy on engagement and socially responsible investment.</p>

	<i>Description of Principle</i>	<i>Norfolk's position</i>	<i>Further development opportunity</i>
		<p>The voting activity of the Norfolk Pension Fund is published on our website www.norfolkpensionfund.org.uk</p> <p>Managers have policies on responsible investment which include the issues on which they engage, and there are links to these from our website: www.norfolkpensionfund.org.uk</p> <p>Engagement monitoring is reported to the Pensions Committee twice a year, at the same time as our voting activity.</p>	
6	<p>Transparency and Reporting</p> <p>Administering Authorities should:</p> <ul style="list-style-type: none"> ➤ 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. 	<p>Our compliance</p> <p>The Norfolk Pension Fund maintains a Communication Strategy, which is subject to regular review and monitoring. The Communication Strategy sets out how the Fund communicates with all stakeholders of the Fund.</p> <p>The Fund's Investment Strategy Statement (ISS), Funding Strategy Statement (FSS) and the Annual Report and Accounts (which includes a review of investment results) are published on our website, www.norfolkpensionfund.org.uk along with the Communications Strategy, Governance Statement and Voting Record.</p> <p>The Fund has a well-established Employers Forum, backed up by newsletters and targeted training and support. Scheme members (active and deferred) receive an annual newsletter and invitation to the Funds' annual meeting and Clinics together with their Annual Benefit Statement. Retired Members receive an annual newsletter and an invitation to Retired Members week events.</p> <p>The Fund actively manages risks. Pensions Committee review the risk register on a regular basis.</p> <p>Pensions Committee meetings are open to the public, and agendas, papers and minutes are available on Norfolk County Councils website, www.norfolk.gov.uk</p>	

Glossary of Terms in Investment Management

Active Management

A style of investment management which seeks to provide outperformance of a relevant benchmark through either asset allocation, market timing or stock selection (or a combination of these). Directly contrasted with Indexation or Passive Management.

Actuary

An independent consultant who carries out the Actuarial Valuation and advises on new investment strategies or changes to the benefit structure.

Actuarial Value of Assets

The value placed on the assets by the actuary. This may be market value, present value of estimated income and proceeds of sales or redemptions, or some other value.

Asset Allocation

The apportionment of a fund's assets between asset classes and/or markets (also see "bet"). Asset allocation may be either strategic i.e. long-term, or Tactical i.e. short-term, aiming to take advantage of relative market movements.

Asset Classes

A specific category of assets or investments, such as stocks, bonds, cash, international securities and real estate. Assets within the same class generally exhibit similar characteristics, behave similarly in the marketplace, and are subject to the same laws and regulations.

Asset / Liability Modelling

A statistical tool designed to help establish the most appropriate asset mix for a pension fund, in the context of its liabilities.

Benchmark

A "notional" fund or model portfolio which is developed to provide a standard against which a manager's performance is measured e.g. for a global equity fund the benchmark against which it will be measured could be made up 70%/30% by UK equities / overseas equities. A target return is generally expressed as some margin over the benchmark.

Bond

A certificate of debt, paying a fixed rate of interest, issued by companies, governments or government agencies.

Corporate Bond

A debt security issued by a corporation, as opposed to those issued by the government.

Corporate Governance

Shareholders' right to vote on issues relating to the governance of publicly quoted companies (usually at the AGM).

Custody/Custodian

Safe-keeping of securities by a financial institution. The custodian keeps a register of holdings and will collect income and distribute monies according to client instructions.

Diversification

The spreading of a fund's investments among different asset classes, markets and geographical areas in order to reduce risk – not "putting all your eggs in one basket". Diversification is a basic principle of multi-asset management.

Equities

Ordinary shares in U.K. and overseas companies.

Fixed Interest Security

An investment that provides a return in the form of fixed periodic payments and eventual return of principle at maturity. Unlike a variable-income security where payments change based on some underlying measure, such as short-term interest rates, fixed-income securities payments are known in advance.

FTSE

A company that specialises in index calculation. Although not part of a stock exchange, co-owners include the London Stock Exchange and the Financial Times. They are best known for the FTSE 100, an index of the top 100 UK companies (ranked by size).

Hedging

A strategy which aims to eliminate the possibility of loss in an investment transaction. Often used in the context of overseas investments to eliminate any potential currency loss (or profit).

Index-Linked Securities

U.K. Government issue stocks on which the interest, and eventual repayment of the loan, are based on movements in the Retail Price Index.

Infrastructure

Investments in new or existing companies and enterprises that are needed for the operation of society.

Investment Advisor

A professionally qualified individual or company whose main livelihood is derived from providing objective, impartial investment advice to companies, pension funds or individuals, for a stated fee.

Objectives

Objectives for a pension fund may be expressed in several ways – in terms of performance against the “average”, against a specified benchmark or as a target real rate of return. For example, a reasonable objective for a UK equity fund might be to outperform the FTSE All Share for UK equities by 1% per annum over rolling 3-year periods.

Passive Management

The management of an asset portfolio to replicate the return on a specified index. This may also be referred to as index tracking.

Performance

A measure, usually expressed in percentage terms, of how well a fund has done over a particular time period – either in absolute terms or as measured against the “average” fund of a particular benchmark.

Pooled Fund

A fund managed by a fund manager in which investors hold units. Stocks, bonds, properties etc. are not held directly by each client, but as part of a “pool”. Contrasts with a segregated fund.

Private Equity

Investments in new or existing companies and enterprises which are not publicly traded on a recognised stock exchange.

Rebalancing

The process of realigning the weightings of the portfolio of the Fund’s assets.

Risk

Generally taken to mean the variability of returns. Investments with greater risk must usually promise higher returns than more “stable” investments before investors will buy them.

Scrip Dividend

A dividend paid in the form of additional shares rather than cash.

Share Blocking

In certain overseas stock markets there are restrictions on dealing shares around meetings which the holder has exercised the associated voting rights.

Share Buy-back

The buying back of outstanding shares (repurchase) by a company in order to reduce the number of shares on the market. Companies will buyback shares either to increase the value of shares still available (reducing supply), or to eliminate any threats by shareholders who may be looking for a controlling stake.

Socially Responsible Investment (SRI)

Investment where social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investment, and the responsible use of rights (such as voting rights) attaching to investments.

Spot Market Conditions

The “cash market” or “physical market”, where prices are settled in cash on the spot at current market prices, as opposed to forward prices.

Stock-lending

The temporary transfer of securities to a borrower, with agreement by the borrower to return equivalent securities at a pre-agreed time. The returns on the underlying portfolio is increased by receiving a fee for making the investments available to the borrower.

Change Control Table

Version Name	Updated by	Date sent live
Investment Strategy Statement	Robert Mayes	November 16
Investment Strategy Statement v2	Glenn Cossey	February 17
Investment Strategy Statement v3	Hymans Robertson	March 17
Investment Strategy Statement v4	Glenn Cossey	March 17
Investment Strategy Statement v5	Hymans Robertson	December 17
Investment Strategy Statement v6	Glenn Cossey	February 18
Investment Strategy Statement v6	Hymans Robertson/Glenn Cossey	March 2019
Investment Strategy Statement v6	Richard Ewles	July 2019

Norfolk Pension Fund

Head of Norfolk Pension Fund: Nicola Mark
Telephone Number 01603 222171 Email: nicola.mark@norfolk.gov.uk

The Norfolk Pension Fund
Lawrence House
5 St Andrews Hill
Norwich
NR2 1AD

Norfolk Pension Fund

Funding Strategy Statement

March 2018



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1 Introduction

1.1 What is this document?

This is the Funding Strategy Statement (FSS) of the Norfolk Pension Fund (“the Fund”), which is administered by Norfolk County Council, (“the Administering Authority”).

It has been prepared by the Administering Authority in collaboration with the Fund’s actuary, Hymans Robertson LLP, and after consultation with the Fund’s employers and investment adviser. It is effective from 31 March 2017.

The FSS is reviewed in detail at least every three years as part of the triennial valuation process. The next full review is due to be completed as part of the valuation process at 31 March 2019. A revised statement will also be issued in the event of significant or material change arising.

If you have any queries please contact Alex Younger in the first instance at alexander.younger@norfolk.gov.uk or telephone 01603 222995.

1.2 What is the Norfolk Pension Fund?

The Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK.

The Administering Authority runs the Norfolk Fund, in effect the LGPS for the Norfolk area, to make sure it:

- receives the proper amount of contributions from employees and employers, and any transfer payments;
- invests the contributions appropriately, with the aim that the Fund’s assets grow over time with investment income and capital growth; and
- uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The roles and responsibilities of the key parties involved in the management of the Fund are summarised in Appendix B.

1.3 Why does the Fund need a Funding Strategy Statement?

Employees’ benefits are guaranteed by the LGPS Regulations, and do not change with market values or employer contributions. Investment returns will help pay for some of the benefits, but probably not all, and certainly with no guarantee. Employees’ contributions are fixed in those Regulations also, at a level which covers only part of the cost of the benefits.

Therefore, employers need to pay the balance of the cost of delivering the benefits to members and their dependants.



The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. This statement sets out how the Administering Authority has balanced the conflicting aims of:

- affordability of employer contributions,
- transparency of processes,
- stability of employers' contributions, and
- prudence in the funding basis.

There are also regulatory requirements for an FSS, as given in Appendix A.

The FSS is a summary of the Fund's approach to funding its liabilities, and this includes reference to the Fund's other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework which includes:

- the LGPS Regulations;
- the Rates and Adjustments Certificate (confirming employer contribution rates for the next three years) which can be found in an appendix to the formal valuation report;
- actuarial factors for valuing individual transfers, early retirement costs and the costs of buying added service; and
- the Fund's Statement of Investment Principles / Investment Strategy Statement (see Section 4)

1.4 How does the Fund and this FSS affect me?

This depends who you are:

- a member of the Fund, i.e. a current or former employee, or a dependant: the Fund needs to be sure it is collecting and holding enough money so that your benefits are always paid in full;
- an employer in the Fund (or which is considering joining the Fund): you will want to know how your contributions are calculated from time to time, that these are fair by comparison to other employers in the Fund, and in what circumstances you might need to pay more. Note that the FSS applies to all employers participating in the Fund;
- an Elected Member whose council participates in the Fund: you will want to be sure that the council balances the need to hold prudent reserves for members' retirement and death benefits, with the other competing demands for council money;
- a Council Tax payer: your council seeks to strike the balance above, and to minimise cross-subsidies between different generations of taxpayers.

1.5 What does the FSS aim to do?

The FSS sets out the objectives of the Fund's funding strategy, such as:

- to ensure the long-term solvency of the Fund, using a prudent long-term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;



- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (**NB** this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

1.6 How do I find my way around this document?

In Section 2 there is a brief introduction to some of the main principles behind funding, i.e. deciding how much an employer should contribute to the Fund from time to time.

In Section 3 we outline how the Fund calculates the contributions payable by different employers in different situations.

In Section 4 we show how the funding strategy is linked with the Fund's investment strategy.

In the Appendices we cover various issues in more detail if you are interested:

- A. the regulatory background, including how and when the FSS is reviewed,
- B. who is responsible for what,
- C. what issues the Fund needs to monitor, and how it manages its risks,
- D. some more details about the actuarial calculations required,
- E. the assumptions which the Fund actuary currently makes about the future,
- F. a glossary explaining the technical terms occasionally used here.



2 Basic Funding Issues

(More detailed and extensive descriptions are given in Appendix D).

2.1 How does the actuary measure the required contribution rate?

In essence this is a three-step process:

1. Calculate the ultimate funding target for the employer, i.e. the ideal amount of assets it should hold to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;
2. Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;
3. Calculate the employer contribution rate such that it has at least a given probability of achieving that funding target over that time horizon, allowing for different likelihoods of various possible economic outcomes over that time horizon. See 2.3 below, and the table in 3.3 Note (e) for more details.

2.2 What is each employer's contribution rate?

This is described in more detail in Appendix D. Employer contributions are normally made up of two elements:

- a) the estimated cost of benefits being built up each year, after deducting the members' own contributions and including administration expenses. This is referred to as the "*Primary rate*", and is expressed as a percentage of members' pensionable pay; plus
- b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "*Secondary rate*". In broad terms, payment of the Secondary rate will aim to return the employer to full funding over an appropriate period (the "*time horizon*"). The Secondary rate may be expressed as a percentage of pay and/or a monetary amount in each year.

The rates for all employers are shown in the Fund's Rates and Adjustments Certificate, which forms part of the formal Actuarial Valuation Report. Employers' contributions are expressed as minima, with employers able to pay contributions at a higher rate. Account of any higher rate will be taken by the Fund actuary at subsequent valuations, i.e. will be reflected as a credit when next calculating the employer's contributions.

2.3 What different types of employer participate in the Fund?

Historically the LGPS was intended for local authority employees only. However, over the years, with the diversification and changes to delivery of local services, many more types and numbers of employers now participate. There are currently more employers in the Fund than ever before, a significant part of this being due to new academies.

In essence, participation in the LGPS is open to public sector employers providing some form of service to the local community. Whilst most members will be local authority employees (and ex-employees), the majority of participating employers are those providing



services in place of (or alongside) local authority services: academy schools, contractors, housing associations, charities, etc.

The LGPS Regulations define various types of employer as follows:

Scheduled bodies - councils, and other specified employers such as academies and further education establishments. These must provide access to the LGPS in respect of their employees who are not eligible to join another public-sector scheme (such as the Teachers Scheme). These employers are so-called because they are specified in a schedule to the LGPS Regulations.

It is now possible for Local Education Authority schools to convert to academy status, and for other forms of school (such as Free Schools) to be established under the academies legislation. All such **academies (or Multi Academy Trusts)**, as employers of non-teaching staff, become separate new employers in the Fund. As academies are defined in the LGPS Regulations as "Scheduled Bodies", the Administering Authority has no discretion over whether to admit them to the Fund, and the academy has no discretion whether to continue to allow its non-teaching staff to join the Fund. There has also been guidance issued by the DCLG regarding the terms of academies' membership in LGPS Funds.

Designating employers - employers such as town and parish councils can participate in the LGPS via resolution (and the Fund cannot refuse them entry where the resolution is passed). These employers can designate which of their employees are eligible to join the scheme.

Other employers are able to participate in the Fund via an admission agreement and are referred to as 'admission bodies'. These employers are generally those with a "community of interest" with another scheme employer – **community admission bodies** ("CAB") or those providing a service on behalf of a scheme employer – **transferee admission bodies** ("TAB"). CABs will include housing associations and charities, TABs will generally be contractors. The Fund can set its criteria for participation by these employers and can refuse entry if the requirements as set out in the Fund's admissions policy are not met. (NB the terminology CAB and TAB has been dropped from recent LGPS Regulations, which instead combine both under the single term 'admission bodies'; however, we have retained the old terminology here as we consider it to be helpful in setting funding strategies for these different employers.

2.4 How does the measured contribution rate vary for different employers?

All three steps above are considered when setting contributions (more details are given in Section 3 and Appendix D).

1. The **funding target** is based on a set of assumptions about the future, (e.g. investment returns, inflation, pensioners' life expectancies). However, if an employer is approaching the end of its participation in the Fund then its funding target may be set on a more prudent basis, so that its liabilities are less likely to be spread among other employers after its cessation;
2. The **time horizon** required is, in broad terms, the period over which any deficit is to be recovered. A shorter period will lead to higher contributions, and vice versa (all other things being equal). Employers may be given a lower time horizon if they have a less



permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform; and

3. The **probability of achieving** the funding target over that time horizon will be dependent on the Fund's view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker, or potentially ceasing from the Fund, then the required probability will be set higher, which in turn will increase the required contributions (and vice versa).

For some employers it may be agreed to pool contributions, see 3.4.

Any costs of non-ill-health early retirements must be paid by the employer, see 3.6.

Costs of ill-health early retirements are covered in 3.7 and 3.8.

2.5 How is a deficit (or surplus) calculated?

An employer's "funding level" is defined as the ratio of:

- the market value of the employer's share of assets (see Appendix D, section D5, for further details of how this is calculated), to
- the value placed by the actuary on the benefits built up to date for the employer's employees and ex-employees (the "liabilities"). The Fund actuary agrees with the Administering Authority the assumptions to be used in calculating this value.

If this is less than 100% then it means the employer has a shortfall, which is the employer's deficit; if it is more than 100% then the employer is said to be in surplus. The amount of deficit or shortfall is the difference between the asset value and the liabilities value.

It is important to note that the deficit/surplus and funding level are only measurements at a point in time, on a particular set of assumptions about the future. Whilst we recognise that various parties will take an interest in these measures, for most employers the key issue is how likely it is that their contributions will be sufficient to pay for their members' benefits (when added to their existing asset share and anticipated investment returns).

In short, deficits and funding levels are short term measures, whereas contribution-setting is a longer-term issue.

2.6 How does the Fund recognise that contribution levels can affect council and employer service provision, and council tax?

The Administering Authority and the Fund actuary are acutely aware that, all other things being equal, a higher contribution required to be paid to the Fund will mean less cash available for the employer to spend on the provision of services. For instance:

- Higher Pension Fund contributions may result in reduced council spending, which in turn could affect the resources available for council services, and/or greater pressure on council tax levels;
- Contributions which Academies pay to the Fund will therefore not be available to pay for providing education; and
- Other employers will provide various services to the local community, perhaps through housing associations, charitable work, or contracting council services. If they are



required to pay more in pension contributions to the LGPS then this may affect their ability to provide the local services at a reasonable cost.

Whilst all this is true, it should also be borne in mind that:

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death;
- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments does not alter the employer's ultimate obligation to the Fund in respect of its current and former employees;
- Each employer will generally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund;
- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible. However, a recent shift in regulatory focus means that solvency within each generation is considered by the Government to be a higher priority than stability of contribution rates;
- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result;
- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

Overall, therefore, there is clearly a balance to be struck between the Fund's need for maintaining prudent funding levels, and the employers' need to allocate their resources appropriately. The Fund achieves this through various techniques which affect contribution increases to various degrees (see 3.1). In deciding which of these techniques to apply to any given employer, the Fund will make a risk based judgement of the employer. This judgement will have regard to the type of employer, its membership profile and funding position, any guarantors or other security provision, material changes anticipated, etc. This helps the Fund to establish a picture of the financial standing of the employer, i.e. its ability to meet its long-term Fund commitments.

For instance, where the Administering Authority has reasonable confidence that an employer will be able to meet its funding commitments, then the Fund will permit options such as stabilisation (see 3.3 Note (b)), a longer time horizon relative to other employers, and/or a lower probability of achieving their funding target. Such options will temporarily produce lower contribution levels than would otherwise have applied. This is permitted in the expectation that the employer will still be able to meet its obligations for many years to come.



On the other hand, where there is doubt that an employer will be able to meet its funding commitments or withstand a significant change in its commitments, then a higher funding target, and/or a shorter deficit recovery period relative to other employers, and/or a higher probability of achieving the target may be required.

The Fund actively seeks employer input, including to its funding arrangements, through various means: see Appendix A.



3 Calculating Contributions for Individual Employers

3.1 General comments

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, the Fund's three-step process identifies the key issues:

1. What is a suitably (but not overly) prudent funding target?
2. How long should the employer be permitted to reach that target? This should be realistic but not so long that the funding target is in danger of never actually being achieved.
3. What probability is required to reach that funding target? This will always be less than 100% as we cannot be certain of future market movements. Higher probability "bars" can be used for employers where the Fund wishes to reduce the risk that the employer ceases leaving a deficit to be picked up by other employers.

These and associated issues are covered in this Section.

The Administering Authority recognises that there may occasionally be circumstances affecting individual employers that are not easily managed within the rules and policies set out in the Funding Strategy Statement. Therefore, the Administering Authority may, at its sole discretion, direct the actuary to adopt alternative funding approaches on a case by case basis for specific employers.

3.2 The effect of paying lower contributions

In limited circumstances the Administering Authority may permit employers to pay contributions at a lower level than is assessed for the employer using the three step process above. At their absolute discretion the Administering Authority may:

- extend the time horizon for targeting full funding;
- adjust the required probability of meeting the funding target;
- permit an employer to participate in the Fund's stabilisation mechanisms;
- permit extended phasing in of contribution rises or reductions;
- pool contributions amongst employers with similar characteristics; and/or
- accept some form of security or guarantee in lieu of a higher contribution rate than would otherwise be the case.

Employers which are permitted to use one or more of the above methods will often be paying, for a time, contributions less than required to meet their funding target, over the appropriate time horizon with the required likelihood of success. Such employers should appreciate that:

- their true long-term liability (i.e. the actual eventual cost of benefits payable to their employees and ex-employees) is not affected by the pace of paying contributions;



- lower contributions in the short term will be assumed to incur a greater loss of investment returns on the deficit. Thus, deferring a certain amount of contribution may lead to higher contributions in the long-term; and
- it may take longer to reach their funding target, all other things being equal.

Overleaf (3.3) is a summary of how the main funding policies differ for different types of employer, followed by more detailed notes where necessary.

Section 3.4 onwards deals with various other funding issues which apply to all employers.



3.3 The different approaches used for different employers

Type of employer	Scheduled Bodies			Community Admission Bodies and Designating Employers		Transferee Admission Bodies
Sub-type	Local Authorities and Police (Tier 1)	Colleges and other FE establishments (Tier 2)	Academies (Tier 2)	Open to new entrants	Closed to new entrants	(all)
Funding Target Basis used	Ongoing, assumes long-term Fund participation (see Appendix E)			Ongoing, but may move to "gilts basis" - see Note (a)		Ongoing, assumes fixed contract term in the Fund (see Appendix E)
Primary rate approach	(see Appendix D – D.2)					
Stabilised contribution rate?	Yes - see Note (b)	Yes - see Note (b)	Yes - see Note (b)	No	No	No
Maximum time horizon – Note (c)	20 years	15 years	15 years	15 years	Future Working Lifetime, subject to 15 years maximum	Outstanding contract term, subject to 15 years maximum
Secondary rate – Note (d)	Monetary	Monetary	Monetary	Monetary	Monetary	Monetary
Treatment of surplus	Covered by stabilisation arrangement	Covered by stabilisation arrangement	Covered by stabilisation arrangement	Preferred approach: contributions kept at Primary rate. Reductions may be permitted by the Admin. Authority		Reduce contributions by spreading the surplus over the remaining contract term
Minimum probability of achieving target – Note (e)	66%	66%	66%	66%	66%	66%
Phasing of contribution changes	Covered by stabilisation arrangement	Covered by stabilisation arrangement	Covered by stabilisation arrangement	3 years	None	None
Review of rates – Note (f)	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations					Particularly reviewed in last 3 years of contract
New employer	n/a	n/a	Note (g)	Note (h)		Notes (h) & (i)
Cessation of participation: cessation debt payable	Cessation is assumed not to occur, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation debt principles applied would be as per Note (j).			Can be ceased subject to terms of admission agreement. Cessation debt will be calculated on a basis appropriate to the circumstances of cessation – see Note (j).		Participation is assumed to expire at the end of the contract. Cessation debt (if any) calculated on ongoing basis. Awarding Authority will be liable for future deficits and contributions arising.

Note (a) (Basis for CABs and Designating Employers closed to new entrants)

In the circumstances where:

- the employer is a Designating Employer, or an Admission Body but not a Transferee Admission Body, and
- the employer has no guarantor, and
- the admission agreement is likely to terminate, or the employer is likely to lose its last active member, within a timeframe considered appropriate by the Administering Authority to prompt a change in funding,

the Administering Authority may set a higher funding target (e.g. using a discount rate set equal to gilt yields) by the time the agreement terminates or the last active member leaves, 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 from the employer when a cessation valuation is carried out.

The Administering Authority also reserves the right to adopt the above approach in respect of those Designating Employers and Admission Bodies with no guarantor, where the strength of covenant is considered to be weak but there is no immediate expectation that the admission agreement will cease, or the Designating Employer alters its designation.

Note (b) (Stabilisation)

Stabilisation is a mechanism where employer contribution rate variations from year to year are kept within a pre-determined range, thus allowing those employers' rates to be relatively stable. In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund Actuary, believes that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" (and may therefore be paying less than their theoretical contribution rate) should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

This stabilisation mechanism allows short term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long-term view can be taken on net cash inflow, investment returns and strength of employer covenant.

The current stabilisation mechanism applies if:

- the employer satisfies the eligibility criteria set by the Administering Authority (see below and);
- there are no material events which cause the employer to become ineligible, e.g. significant reductions in active membership (due to outsourcing or redundancies), or changes in the nature of the employer (perhaps due to Government restructuring), or changes in the security of the employer.

Based on extensive modelling carried out for the 2016 valuation exercise (see Section 4), the stabilised details are as follows:

Type of employer	Precepting Category 1	Precepting Category 2	Precepting Category 3	Colleges and other FE establishments including Academies (Tier 2)
Max cont increase	+0.5% of pay p.a.	+1% of pay p.a.	+2% of pay pa	+1% of pay pa
Max cont decrease	-0.5% of pay pa	-0.5% of pay pa	-1% of pay pa	-0.5% of pay pa

The categorisation applies to the Councils and other precepting bodies and the stabilisation parameters are set which is most appropriate to the funding profile of each.

The stabilisation criteria, categories and limits will be reviewed at the 31 March 2019 valuation, to take effect from 1 April 2020. However, the Administering Authority reserves the right to review the stabilisation criteria and limits at any time before then, based on membership and/or employer changes as described above.

The Administering Authority may review an employer's eligibility for stabilisation at any time in the event of significant changes in the employer's membership (due for example to redundancies or outsourcing) or if there is a significant change in the Administering Authority's assessment of an employer's security.

Stabilisation rules and eligibility may be reviewed at any time in the event of changes to scheme benefits. Changes in scheme benefits may arise because of changes in regulations or other events that have a material impact (such as the change with effect from 2011 from RPI to CPI for increases to pensions in payment).

The stabilisation rules and eligibility criteria will be reviewed at each formal valuation (next undertaken at 31 March 2019), with any changes in contribution strategy taking effect from 1 April 2020 with the revised Rates & Adjustment Certificate. The review will consider factors including but not necessarily restricted to market conditions (the long-term risk-based analysis will be recalibrated to market conditions as at 31 March 2019), the Administering Authority's assessment of employer's security and the maturity of each employer's membership profile.

The stabilisation mechanism limits increases and reductions in contribution rates for public sector bodies. Therefore, any emerging surplus will not reduce their contributions outside the pre-determined range.

Note (c) (Maximum time horizon)

The maximum time horizon starts at the commencement of the revised contribution rate (1 April 2017 for the 2016 valuation). The Administering Authority would normally expect the same period to be used at successive triennial valuations but would reserve the right to propose alternative time horizons, for example where there were no new entrants.

Note (d) (Secondary rate)

For employers where stabilisation is not being applied, the Secondary contribution rate for each employer covering the three year period until the next valuation. However, the Administering Authority reserves the right to amend these rates between valuations and/or to require these payments in monetary terms instead, for instance where:

- there has been a significant reduction in payroll due to outsourcing or redundancy exercises, or
- the employer has closed the Fund to new entrants.

Note (e) (Probability of achieving funding target)

Each employer has its funding target calculated, and a relevant time horizon over which to reach that target. Contributions are set such that, combined with the employer's current asset share and anticipated market movements over the time horizon, the funding target is achieved with a given minimum probability. A higher required probability bar will give rise to higher required contributions, and vice versa.

The way in which contributions are set using these three steps, and relevant economic projections, is described in further detail in Appendix D.

Different probabilities are set for different employers depending on their nature and circumstances: in broad terms, a higher probability will apply due to one or more of the following:

- the Fund believes the employer poses a greater funding risk than other employers;
- the employer does not have tax-raising powers;
- the employer does not have a guarantor or other sufficient security backing its funding position; and/or
- the employer is likely to cease participation in the Fund in the short or medium term.

Note (f) (Regular Reviews)

Such reviews may be triggered by significant events including but not limited to: significant reductions in payroll, altered employer circumstances, Government restructuring affecting the employer's business, or failure to pay contributions or arrange appropriate security as required by the Administering Authority.

The result of a review may be to require increased contributions (by strengthening the actuarial assumptions adopted and/or moving to monetary levels of deficit recovery contributions), and/or an increased level of security or guarantee

Note (g) (New Academy conversions)

At the time of writing, the Fund's policies on academies' funding issues are as follows:

- i. The new academy will be regarded as a separate employer in its own right and will not be pooled with other employers in the Fund. The only exception is where the academy

is part of a Multi Academy Trust (MAT) in which case the academy's figures will be calculated as below but can be combined with those of the other academies in the MAT;

- ii. The new academy's past service liabilities on conversion will be calculated based on its active Fund members on the day before conversion. For the avoidance of doubt, these liabilities will include all past service of those members, but will exclude the liabilities relating to any ex-employees of the school who have deferred or pensioner status;
- iii. The new academy will be allocated an initial asset share from the Schools' Pool's assets in the Fund. This asset share will be calculated using the estimated funding position of the Schools' Pool ceding council at the date of academy conversion. The share will be based on the active members' funding level, having first allocated assets in the Schools' Pool share to fully fund deferred and pensioner members. The asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion;
- iv. The new academy's initial contribution rate will be calculated using market conditions, the Schools' Pool funding position and, membership data, all as at the day prior to conversion;
- v. As an alternative to (iv), the academy will have the option to elect to pay contributions over the period to the following 31 March at the same rate as that payable by the ceding LEA. Contributions payable by the academy over the remaining period of the existing Rates and Adjustment certificate (i.e. until 31 March 2020) will vary in line with the 'Tier 2' stabilisation parameters outlined in note (b). This approach will be assumed by the Fund unless the academy specifies otherwise. However, using this approach will not alter its asset or liability allocation as per (ii) and (iii) above. Ultimately, all academies remain responsible for their own pension funding position.

The Fund's policies on academies are subject to change in the light of any amendments to DCLG guidance. Any changes will be notified to academies and will be reflected in a subsequent version of this FSS. In particular, policies (iv) and (v) above will be reconsidered at each valuation.

Note (h) (New Admission Bodies)

With effect from 1 October 2012, the LGPS 2012 Miscellaneous Regulations introduced mandatory new requirements for all Admission Bodies brought into the Fund from that date. Under these Regulations, all new Admission Bodies will be required to provide some form of security, such as a guarantee from the letting employer, an indemnity or a bond. The security is required to cover some or all of the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- allowance for the risk of asset underperformance;
- allowance for the risk of a fall in gilt yields;
- allowance for the possible non-payment of employer and member contributions to the Fund; and/or
- the current deficit.

Transferee Admission Bodies: For all TABs, the security must be to the satisfaction of the Administering Authority as well as the letting employer and will be reassessed on an annual basis. See also Note (i) below.

Community Admission Bodies: The Administering Authority will only consider requests from CABs (or other similar bodies, such as section 75 NHS partnerships) to join the Fund if they are sponsored by a Scheduled Body with tax raising powers, guaranteeing their liabilities and providing a form of security as above.

The above approaches reduce the risk, to other employers in the Fund, of potentially having to pick up any shortfall in respect of Admission Bodies ceasing with an unpaid deficit.

Note (i) (New Transferee Admission Bodies)

A new TAB usually joins the Fund as a result of the letting/outsourcing of some services from an existing employer (normally a Scheduled Body such as a council or academy) to another organisation (a “contractor”). This involves the TUPE transfer of some staff from the letting employer to the contractor. Consequently, for the duration of the contract, the contractor is a new participating employer in the Fund so that the transferring employees maintain their eligibility for LGPS membership. At the end of the contract the employees revert to the letting employer or to a replacement contractor.

Ordinarily, the TAB would be set up in the Fund as a new employer with responsibility for all the accrued benefits of the transferring employees; in this case, the contractor would usually be assigned an initial asset allocation equal to the past service liability value of the employees’ Fund benefits. The quid pro quo is that the contractor is then expected to ensure that its share of the Fund is also fully funded at the end of the contract: see Note (j).

The fund may consider modifications to this approach on request with the agreement of all parties and having taken appropriate advice.

Note (j) (Admission Bodies Ceasing)

Notwithstanding the provisions of the Admission Agreement, the Administering Authority may consider any of the following as triggers for the cessation of an admission agreement with any type of body:

- Last active member ceasing participation in the Fund (NB recent LGPS Regulation changes mean that the Administering Authority has the discretion to defer acting for up to three years, so that if the employer acquires one or more active Fund members during that period then cessation is not triggered. The current Fund policy is that this is left as a discretion and may or may not be applied in any given case);
- The insolvency, winding up or liquidation of the Admission Body;
- Any breach by the Admission Body of any of its obligations under the Agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund; or

- The failure by the Admission Body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Fund.

On cessation, the Administering Authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus. Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body; where there is a surplus it should be noted that current legislation does not permit a refund payment to the Admission Body.

For non-Transferee Admission Bodies whose participation is voluntarily ended either by themselves or the Fund, or where a cessation event has been triggered, the Administering Authority must look to protect the interests of other ongoing employers. The actuary will therefore adopt an approach which, to the extent reasonably practicable, protects the other employers from the likelihood of any material loss emerging in future:

- Where a guarantor does not exist then, to protect other employers in the Fund, the cessation liabilities and final deficit will normally be calculated using a “gilts cessation basis”, which is more prudent than the ongoing basis. This has no allowance for potential future investment outperformance above gilt yields and has added allowance for future improvements in life expectancy. This could give rise to significant cessation debts being required.
- Where there is a guarantor for future deficits and contributions, the details of the guarantee will be considered prior to the cessation valuation being carried out. In some cases, the guarantor is simply guarantor of last resort and therefore the cessation valuation will be carried out consistently with the approach taken had there been no guarantor in place. Alternatively, where the guarantor is not simply guarantor of last resort, the cessation may be calculated using the ongoing basis as described in Appendix E;
- Again, depending on the nature of the guarantee, it may be possible to simply transfer the former Admission Body's liabilities and assets to the guarantor, without needing to crystallise any deficit. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee.

Under (a) and (c), any shortfall would usually be levied on the departing Admission Body as a single lump sum payment. If this is not possible then the Fund would spread the payment generally subject to there being some security in place for the employer such as a bond indemnity or guarantee.

If the Fund is not able to recover the required payment in full, then the unpaid amounts fall to be shared amongst all the other employers in the Fund. This may require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund, or instead be reflected in the contribution rates set at the next formal valuation following the cessation date.

As an alternative, where the ceasing Admission Body is continuing in business, the Fund at its absolute discretion reserves the right to enter into an agreement with the ceasing Admission Body. Under this agreement the Fund would accept an appropriate alternative security to be held against any deficit and would carry out the cessation valuation on an ongoing basis: deficit recovery payments would be derived from this cessation debt. This

approach would be monitored as part of each triennial valuation: the Fund reserves the right to revert to a “gilts cessation basis” and seek immediate payment of any funding shortfall identified. The Administering Authority may need to seek legal advice in such cases, as the Body would have no contributing members.

3.4 Pooled contributions

From time to time, with the advice of the Actuary, the Administering Authority may set up pools for employers with similar or complementary characteristics. This will always be in line with its broader funding strategy.

With the advice of the Actuary the Administering Authority allows smaller employers of similar types to pool their contributions as a way of sharing experience and smoothing out the effects of costly but relatively rare events such as ill-health retirements or deaths in service.

Community Admission Bodies that are deemed by the Administering Authority to have closed to new entrants are not usually permitted to participate in a pool. Transferee Admission Bodies are usually also ineligible for pooling.

The Fund may consider requests for smaller admitted bodies to be pooled with the letting employer, provided all parties (particularly the letting employer) agree.

Employers who are permitted to enter (or remain in) a pool at the 2016 valuation will not normally be advised of their individual contribution rate unless agreed by the Administering Authority.

Those employers which have been pooled are identified in the Rates and Adjustments Certificate.

3.5 Additional flexibility in return for added security

The Administering Authority may permit greater flexibility to the employer's contributions if the employer provides added security to the satisfaction of the Administering Authority.

Such flexibility includes a reduced rate of contribution, an extended time horizon, or permission to join a pool with another body (e.g. the Local Authority).

Such security may include, but is not limited to, a suitable bond, a legally-binding guarantee from an appropriate third party, or security over an employer asset of sufficient value.

The degree of flexibility given may consider factors such as:

- the extent of the employer's deficit;
- the amount and quality of the security offered;
- the employer's financial security and business plan; and
- whether the admission agreement is likely to be open or closed to new entrants.

3.6 Non-ill health early retirement costs

It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). (**NB** the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014).

Employers are required to pay additional contributions ('strain') wherever an employee retires before attaining this age. The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health.

At the discretion of the Administering Authority the payment may be spread over a period of up to 3 years (but no more than the outstanding contract term for a Transferee Admission Body).

3.7 Ill health early retirement costs

In the event of a member's early retirement on the grounds of ill-health, a funding strain will usually arise, which can be very large. Such strains are currently met by each employer, although individual employers may elect to take external insurance (see 3.8 below).

Admitted Bodies will usually have an 'ill health allowance'; Scheduled Bodies may have this also, depending on their agreement terms with the Administering Authority. The Fund may monitor each employer's ill health experience on an ongoing basis. If the cumulative cost of ill health retirement in any financial year exceeds the allowance at the previous valuation, the employer may be charged additional contributions on the same basis as apply for non-ill-health cases. Details will be included in each separate Admission Agreement.

3.8 External ill health insurance

If an employer provides satisfactory evidence to the Administering Authority of a current external insurance policy covering ill health early retirement strains, then:

- the employer's contribution to the Fund each year is reduced by the amount of that year's insurance premium, so that the total contribution is unchanged, and
- there is no need for monitoring of allowances.

The employer must keep the Administering Authority notified of any changes in the insurance policy's coverage or premium terms, or if the policy is ceased.

3.9 Employers with no remaining active members

In general, an employer ceasing in the Fund, due to the departure of the last active member, will pay a cessation debt on an appropriate basis (see 3.3, Note (j)) and consequently have no further obligation to the Fund. Thereafter it is expected that one of two situations will eventually arise:

- a) The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other Fund employers will be required to contribute to pay all remaining benefits: this will be done by the Fund actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations;
- b) The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund.
- c) In exceptional circumstances the Fund may permit an employer with no remaining active members to continue contributing to the Fund. This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period.



The Fund would reserve the right to invoke the cessation requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

3.10 Policies on bulk transfers

Each case will be treated on its own merits, but in general:

- The Fund will not pay bulk transfers greater than the lesser of (a) the asset share of the transferring employer in the Fund, and (b) the value of the past service liabilities of the transferring members;
- The Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities; and
- The Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.

3.11 Salary strain recharge mechanism

The Fund operates a salary strain recharge mechanism to recoup any funding strain associated with salary increases above expectations. Further detail of this mechanism is detailed in Appendix G.

4 Funding Strategy and Links to Investment Strategy

4.1 What is the Fund's investment strategy?

The Fund has built up assets over the years and continues to receive contribution and other income. All of this must be invested in a suitable manner, which is the investment strategy.

Investment strategy is set by the administering authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Statement of Investment Principles (being replaced by an Investment Strategy Statement under new LGPS Regulations), which is available to members and employers.

The investment strategy is set for the long-term but is reviewed from time to time. Normally a full review is carried out as part of each actuarial valuation and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund's liability profile.

As the LGPS continues to see increased numbers and diversity of participating employers, the investment strategy review following the 2016 valuation is considering the implementation of a small range of investment strategies, with different allocations to growth assets. Employers may be allocated to the investment strategy that is most appropriate given the employers funding objective and current funding position. Please see Appendix H for further details.

4.2 What is the link between funding strategy and investment strategy?

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy) or asset returns and income (resulting from the investment strategy). To the extent that investment returns, or income fall short, then higher cash contributions are required from employers, and vice versa

Therefore, the funding and investment strategies are inextricably linked.

4.3 How does the funding strategy reflect the Fund's investment strategy?

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The asset outperformance assumption contained in the discount rate (see Appendix E3) is within a range that would be considered acceptable for funding purposes; it is also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see Appendix A1).

However, in the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility and there is a material chance that in the short-term and even medium term, asset returns will fall short of this target. The stability measures described in Section 3 will damp down, but not remove, the effect on employers' contributions.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

4.4 How does this differ for a large stable employer?

The Actuary has developed four key measures which capture the essence of the Fund's strategies, both funding and investment:

- Prudence - the Fund should have a reasonable expectation of being fully funded in the long term;
- Affordability – how much can employers afford;
- Stewardship – the assumptions used should be sustainable in the long term, without having to resort to overly optimistic assumptions about the future to maintain an apparently healthy funding position; and
- Stability – employers should not see significant moves in their contribution rates from one year to the next, to help provide a more stable budgeting environment.

The key problem is that the key objectives often conflict. For example, minimising the long-term cost of the scheme (i.e. keeping employer rates affordable) is best achieved by investing in higher returning assets e.g. equities. However, equities are also very volatile (i.e. go up and down fairly frequently in fairly large moves), which conflicts with the objective to have stable contribution rates.

Therefore, a balance needs to be maintained between risk and reward, which has been considered using Asset Liability Modelling: this is a set of calculation techniques applied by the Fund's actuary to model the range of potential future solvency levels and contribution rates.

The Actuary was able to model the impact of these four key areas, for setting a stabilisation approach (see 3.3 Note (b)). The modelling demonstrated that retaining the present investment strategy, coupled with constraining employer contribution rate changes as described in 3.3 Note (b), struck an appropriate balance between the above objectives. The stabilisation approach currently adopted meets the need for stability of contributions without jeopardising the Administering Authority's aims of prudent stewardship of the Fund.

Whilst the current stabilisation mechanism is to remain in place until 2020, it should be noted that this will need to be reviewed following the 2019 valuation.

4.5 Does the Fund monitor its overall funding position?

The Administering Authority monitors the relative funding position, i.e. changes in the relationship between asset values and the liabilities value, when felt necessary.

5 Statutory reporting and comparison to other LGPS Funds

5.1 Purpose

Under Section 13(4)(c) of the Public Service Pensions Act 2013 (“Section 13”), the Government Actuary’s Department must, following each triennial actuarial valuation, report to the Department of Communities & Local Government (DCLG) on each of the LGPS Funds in England & Wales. This report will cover whether, for each Fund, the rate of employer contributions are set at an appropriate level to ensure both the solvency and the long-term cost efficiency of the Fund.

This additional DCLG oversight may have an impact on the strategy for setting contribution rates at future valuations.

5.2 Solvency

For the purposes of Section 13, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

- the rate of employer contributions is set to target a funding level for the Fund of 100%, over an appropriate period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either
- employers collectively have the financial capacity to increase employer contributions, and/or the Fund can realise contingent assets should future circumstances require, to continue to target a funding level of 100%; or
- there is an appropriate plan in place should there be, or if there is expected in future to be, a material reduction in the capacity of fund employers to increase contributions as might be needed.

5.3 Long Term Cost Efficiency

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long term cost efficiency if:

- i. the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual,
- ii. with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

In assessing whether the above condition is met, DCLG may have regard to various absolute and relative considerations. A relative consideration is primarily concerned with comparing LGPS pension funds with other LGPS pension funds. An absolute consideration is primarily concerned with comparing Funds with a given objective benchmark.

Relative considerations include:

- i. the implied deficit recovery period; and
- ii. the investment return required to achieve full funding after 20 years.

Absolute considerations include:

- i. the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on any deficit;
- ii. how the required investment return under “relative considerations” above compares to the estimated future return being targeted by the Fund’s current investment strategy;
- iii. the extent to which contributions paid have been in line with the expected contributions based on the extant rates and adjustment certificate; and
- iv. the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual Fund experience.

DCLG may assess and compare these metrics on a suitable standardised market-related basis, for example where the local funds’ actuarial bases do not make comparisons straightforward.

Appendix A – Regulatory Framework

A1 Why does the Fund need an FSS?

The Department for Communities and Local Government (DCLG) has stated that the purpose of the FSS 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 framework to maintain **as nearly constant employer contribution rates as possible**; and*
- *to take a **prudent longer-term view** of funding those liabilities.”*

These objectives are desirable individually but may be mutually conflicting.

The requirement to maintain and publish a FSS is contained in LGPS Regulations which are updated from time to time. In publishing the FSS the Administering Authority must have regard to any guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA) (most recently in 2016) and to its Statement of Investment Principles / Investment Strategy Statement.

This is the framework within which the Fund’s actuary carries out triennial valuations to set employers’ contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

A2 Does the Administering Authority consult anyone on the FSS?

Yes. This is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA guidance, which states that the FSS must first be subject to “consultation with such persons as the authority considers appropriate” and should include “a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers”.

In practice, for the Fund, the consultation process for this FSS was as follows:

- a) A draft version of the FSS was issued to all participating employers for comment;
- b) Comments were requested within 10 days;
- c) Following the end of the consultation period the FSS was updated where required and then published, on 31 March 2017.
- d) The funding principles of the FSS were discussed with employers at Forum events in July and November 2016.

A3 How is the FSS published?

The FSS is made available through the following routes:

- Published on the website at www.norfolkpensionfund.org
- A full copy linked from the annual report and accounts of the Fund;
- Copies made available on request.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the triennial valuation. This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation in 2019.

It is possible that (usually slight) amendments may be needed within the three year period. These would be needed to reflect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- trivial amendments would be simply notified at the next round of employer communications,
- amendments affecting only one class of employer would be consulted with those employers,
- other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the Pensions Committee and would be included in the relevant Committee Meeting minutes.

A5 How does the FSS fit into other Fund documents?

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues, for example there are several separate statements published by the Fund including the Statement of Investment Principles/Investment Strategy Statement, Governance Strategy and Communications Strategy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund. These documents can be found on the web at www.norfolkpensionfund.org.

Appendix B – Responsibilities of Key Parties

The efficient and effective operation of the Fund needs various parties to each play their part.

B1 The Administering Authority should: -

1. operate the Fund as per the LGPS Regulations;
2. effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;
3. collect employer and employee contributions, and investment income and other amounts due to the Fund;
4. ensure that cash is available to meet benefit payments as and when they fall due;
5. pay from the Fund the relevant benefits and entitlements that are due;
6. invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Statement of Investment Principles/Investment Strategy Statement (SIP/ISS) and LGPS Regulations;
7. communicate appropriately with employers so that they fully understand their obligations to the Fund;
8. take appropriate measures to safeguard the Fund against the consequences of employer default;
9. manage the valuation process in consultation with the Fund's actuary;
10. provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);
11. prepare and maintain a FSS and a SIP/ISS, after consultation;
12. notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and
13. monitor all aspects of the fund's performance and funding and amend the FSS and SIP/ISS as necessary and appropriate.

B2 The Individual Employer should: -

1. deduct contributions from employees' pay correctly;
2. pay all contributions, including their own as determined by the actuary, promptly by the due date;
3. have a policy and exercise discretions within the regulatory framework;
4. make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
5. notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding.

B3 The Fund Actuary should: -

1. prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;
2. provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);
3. provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);
4. prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
5. assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;
6. advise on the termination of employers' participation in the Fund; and
7. fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties: -

1. investment advisers (either internal or external) should ensure the Fund's SIP/ISS remains appropriate, and consistent with this FSS;
2. investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the SIP/ISS;
3. auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;
4. governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;
5. legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures;
6. The Department for Communities and Local Government (assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS Funds to meet Section 13 requirements.

Appendix C – Key Risks and Controls

C1 Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below under the following headings:

Financial;

Demographic;

Regulatory; and

Governance.

C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities over the long-term.	<p>Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing.</p> <p>Assets invested based on specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc.</p> <p>Analyse progress at three yearly valuations for all employers.</p> <p>Inter-valuation roll-forward of liabilities between valuations at whole Fund level.</p>
Inappropriate long-term investment strategy.	<p>Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes.</p> <p>Chosen option considered to provide the best balance.</p>
Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities.	<p>Stabilisation modelling at whole Fund level allows for the probability of this within a longer-term context.</p> <p>Inter-valuation monitoring, as above.</p> <p>Some investment in bonds helps to mitigate this risk.</p>

Risk	Summary of Control Mechanisms
Active investment manager under-performance relative to benchmark.	Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.
Pay and price inflation significantly more than anticipated.	<p>The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases.</p> <p>Inter-valuation monitoring, as above, gives early warning.</p> <p>Some investment in bonds also helps to mitigate this risk.</p> <p>Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.</p>
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	<p>The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future.</p> <p>If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).</p>

C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	<p>Set mortality assumptions with some allowance for future increases in life expectancy.</p> <p>The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.</p>

Risk	Summary of Control Mechanisms
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.
Deteriorating patterns of early retirements	<p>Employers are charged the extra cost of non-ill-health retirements following each individual decision.</p> <p>Employer ill health retirement experience is monitored, and insurance is an option.</p>
Reductions in payroll causing insufficient deficit recovery payments	<p>In many cases this may not be sufficient cause for concern and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows:</p> <p>Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3).</p> <p>For other employers, review of contributions is permitted in general between valuations (see Note (f) to 3.3) and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.</p>

C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	<p>The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.</p> <p>The results of the most recent reforms were built into the 2016 valuation. Any changes to member contribution rates or benefit levels will be carefully communicated with members to minimise possible opt-outs or adverse actions.</p>



Time, cost and/or reputational risks associated with any DCLG intervention triggered by the Section 13 analysis (see Section 5).	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.
Changes by Government to employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.

C5 Governance risks

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	<p>The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data.</p> <p>The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations</p> <p>Deficit contributions may be expressed as monetary amounts.</p>
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	<p>The Administering Authority maintains close contact with its specialist advisers.</p> <p>Advice is delivered via formal meetings involving Elected Members and recorded appropriately.</p> <p>Actuarial advice is subject to professional requirements such as peer review.</p>
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	<p>The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes.</p> <p>Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.</p>

Risk	Summary of Control Mechanisms
<p>An employer ceasing to exist with insufficient funding or adequacy of a bond.</p>	<p>The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure.</p> <p>The risk is mitigated by:</p> <ul style="list-style-type: none"> Seeking a funding guarantee from another scheme employer, or external body, wherever possible (see Notes (h) and (j) to 3.3). Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Where permitted under the regulations requiring a bond to protect the Fund from various risks. Requiring new Community Admission Bodies to have a guarantor. Reviewing bond or guarantor arrangements at regular intervals (see Note (f) to 3.3). Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3).

Appendix D – The Calculation of Employer Contributions

In Section 2 there was a broad description of the way in which contribution rates are calculated. This Appendix considers these calculations in much more detail.

All three steps above are considered when setting contributions (more details are given in Section 3 and Appendix D):

1. The **funding target** is based on a set of assumptions about the future, e.g. investment returns, inflation, pensioners' life expectancies. However, if an employer is approaching the end of its participation in the Fund then its funding target may be set on a more prudent basis, so that its liabilities are less likely to be spread among other employers after its cessation of participation;
2. The **time horizon** required is, in broad terms, the period over which any deficit is to be recovered. A shorter period will lead to higher contributions, and vice versa (all other things being equal). Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform;
3. The required **probability of achieving** the funding target over that time horizon will be dependent on the Fund's view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker, or potentially ceasing from the Fund, then the required probability will be set higher, which in turn will increase the required contributions (and vice versa).

The calculations involve actuarial assumptions about future experience, and these are described in detail in Appendix E.

D1 What is the difference between calculations across the whole Fund and calculations for an individual employer?

Employer contributions are normally made up of two elements:

- a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary contribution rate" (see D2 below); plus
- b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary contribution rate" (see D3 below).

The contribution rate for each employer is measured as above, appropriate for each employer's funding position and membership. The whole Fund position, including that used in reporting to DCLG (see section 5), is calculated in effect as the sum of all the individual employer rates. DCLG currently only regulates at whole Fund level, without monitoring individual employer positions.

D2 How is the Primary contribution rate calculated?

The Primary element of the employer contribution rate is calculated with the aim that these contributions will meet benefit payments in respect of members' **future** service in the Fund.

This is based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year.

The Primary rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The Primary rate is calculated such that it is projected to:

1. meet the required funding target for all future years' accrual of benefits*, excluding any accrued assets,
2. within the determined time horizon (see note 3.3 Note (c) for further details),
3. with a sufficiently high probability, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

* The projection is for the current active membership where the employer no longer admits new entrants, or additionally allows for new entrants where this is appropriate.

The projections are carried out using an economic modeller developed by the Fund's actuary Hymans Robertson: this allows for a wide range of outcomes about key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (by the end of the time horizon) is equal to the required probability.

The approach includes expenses of administration to the extent that they are borne by the Fund and includes allowances for benefits payable on death in service and on ill health retirement.

The Primary rate for Councils has not been set in the way described above. For operational reasons, the Primary rate certified for the period 1 April 2017 to 31 March 2020 has been set equal to the percentage of pay rate payable over the 2016/17 year. This has no impact on the total rate payable by these employers, which is determined in line with the stabilisation parameters set out in 3.3 Note (b).

D3 How is the Secondary contribution rate calculated?

The combined Primary and Secondary rates aim to achieve the employer's funding target, within the appropriate time horizon, with the relevant degree of probability.

For the funding target, the Fund actuary agrees the assumptions to be used with the Administering Authority – see Appendix E. These assumptions are used to calculate the present value of all benefit payments expected in the future, relating to that employer's current and former employees, based on pensionable service to the valuation date only (i.e. ignoring further benefits to be built up in the future).

The Fund operates the same target funding level for all employers of 100% of its accrued liabilities valued on the ongoing basis, unless otherwise determined (see Section 3).

The Secondary rate is calculated as the balance over and above the Primary rate, such that the total is projected to:

1. meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see D5 below)

2. within the determined time horizon (see 3.3 Note (c) for further details)
3. with a sufficiently high probability, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

The projections are carried out using an economic modeller developed by the Fund Actuary Hymans Robertson: this allows for a wide range of outcomes about key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. The measured contributions are calculated such that the proportion of outcomes with at least 100% solvency (by the end of the time horizon) is equal to the required probability.

D4 What affects a given employer's valuation results?

The results of these calculations for a given individual employer will be affected by:

1. past contributions relative to the cost of accruals of benefits;
2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer's liabilities;
4. any different time horizons;
5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;
9. the additional costs of any non-ill-health retirements relative to any extra payments made; and/or
10. differences in the required probability of achieving the funding target.

D5 How is each employer's asset share calculated?

Individual asset shares are calculated monthly by the Fund Actuary using the HEAT system. This system uses monthly income and expenditure amounts split by each employer and provides a full audit trail of calculations.

Appendix E – Actuarial Assumptions

E1 What are the actuarial assumptions?

These are expectations of future experience used to place a value on future benefit payments (“the liabilities”). Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants’ benefits.

Changes in assumptions will affect the measured funding target. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The combination of all assumptions is described as the “basis”. A more optimistic basis might involve higher assumed investment returns (discount rate), or lower assumed salary growth, pension increases or life expectancy; a more optimistic basis will give lower funding targets and lower employer costs. A more prudent basis will give higher funding targets and higher employer costs.

E2 What basis is used by the Fund?

The Fund’s standard funding basis is described as the “ongoing basis”, which applies to most employers in most circumstances. This is described in more detail below. It anticipates employers remaining in the Fund in the long term.

However, in certain circumstances, typically where the employer is not expected to remain in the Fund long term, a more prudent basis applies: see Note (a) to 3.3.

E3 What assumptions are made in the ongoing basis?

a) Investment return / discount rate

The key financial assumption is the anticipated return on the Fund’s investments. This “discount rate” assumption makes allowance for an anticipated out-performance of Fund returns relative to long term yields on UK Government bonds (“gilts”). There is, however, no guarantee that Fund returns will out-perform gilts. The risk is greater when measured over short periods such as the three years between formal actuarial valuations, when the actual returns and assumed returns can deviate sharply.

Given the very long-term nature of the liabilities, a long-term view of prospective asset returns is taken. The long term in this context would be 20 to 30 years or more.

For the triennial funding valuation at 31 March 2016 and setting contribution rates effective from 1 April 2017, the Fund actuary has assumed that future investment returns earned by the Fund over the long term will be 1.6% per annum greater than gilt yields at the time of the valuation (this is the same as that used at the 2013 valuation). In the opinion of the Fund actuary, based on the current investment strategy of the Fund, this asset out-performance assumption is within a range that would be considered acceptable for the purposes of the funding valuation.

b) Salary growth

Pay for public sector employees is currently subject to restriction by the UK Government until 2020. Although this “pay freeze” does not officially apply to local government and associated employers, it has been suggested that they are likely to show similar restraint in respect of pay awards. Based on long term historical analysis of the membership in LGPS funds, and continued austerity measures, the salary increase assumption at the 2016 valuation has been set to be a blended rate combined of:

1. 1% p.a. until 31 March 2020, followed by
2. 1% above the retail prices index (RPI) per annum p.a. thereafter.

This is a change from the previous valuation, which assumed a flat assumption of RPI per annum. The change has led to a reduction in the funding target (all other things being equal).

c) Pension increases

Since 2011 the consumer prices index (CPI), rather than RPI, has been the basis for increases to public sector pensions in deferment and in payment. Note that the basis of such increases is set by the Government and is not under the control of the Fund or any employers.

As at the previous valuation, we derive our assumption for RPI from market data as the difference between the yield on long-dated fixed interest and index-linked government bonds. This is then reduced to arrive at the CPI assumption, to allow for the “formula effect” of the difference between RPI and CPI. At this valuation, a reduction of 1.0% per annum has been applied. This is a larger reduction than at 2013, which will serve to reduce the funding target (all other things being equal). (Note that the reduction is applied in a geometric, not arithmetic, basis).

d) Life expectancy

The demographic assumptions are intended to be best estimates of future experience in the Fund based on experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of “VitaCurves”, produced by the Club Vita’s detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

It is acknowledged that future life expectancy and the allowance for future improvements in life expectancy, is uncertain. There is a consensus amongst actuaries, demographers and medical experts that life expectancy is likely to improve in the future. Allowance has been made in the ongoing valuation basis for future improvements in line with the 2013 version of the Continuous Mortality Investigation model published by the Actuarial Profession and a 1.25% per annum minimum underpin to future reductions in mortality rates. This is a similar allowance for future improvements than was made in 2013.

The approach taken is considered reasonable considering the long-term nature of the Fund and the assumed level of security underpinning members’ benefits.

e) General

The same financial assumptions are adopted for most employers, in deriving the funding target underpinning the Primary and Secondary rates: as described in (3.3), these calculated figures are translated in different ways into employer contributions, depending on the employer's circumstances.

The demographic assumptions, the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

Appendix F – Glossary

Actuarial assumptions/basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of the funding target . The main assumptions will relate to the discount rate , salary growth, pension increases and longevity. More prudent assumptions will give a higher target value, whereas more optimistic assumptions will give a lower value.
Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
Admission Bodies	Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more details (see 2.3).
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
Designating Employer	Employers such as town and parish councils that can participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
Discount rate	The annual rate at which future assumed cash flows (in and out of the Fund) are discounted to the present day. This is necessary to provide a funding target which is consistent with the present day value of the assets. A lower discount rate gives a higher target value, and vice versa. It is used in the calculation of the Primary and Secondary rates .
Employer	An individual participating body in the Fund, which employs (or used to employ) members of the Fund. Normally the assets and funding target values for each employer are individually tracked, together with its Primary rate at each valuation .
Funding target	The actuarially calculated present value of all pension entitlements of all members of the Fund, built up to date. This is compared with the present market value of Fund assets to derive the deficit. It is calculated on a chosen set of actuarial assumptions.

Gilt	A UK Government bond, i.e. a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be “fixed interest”, where the interest payments are level throughout the gilt’s term, or “index-linked” where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but their main use in funding is as an objective measure of solvency.
Guarantee / guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer’s covenant to be as strong as its guarantor’s.
Letting employer	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority but can sometimes be another type of employer such as an Academy.
LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members’ contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 101 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer’s position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferred (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Primary contribution rate	The employer contribution rate required to pay for ongoing accrual of active members’ benefits (including an allowance for administrative expenses). See Appendix D for further details.

Profile

The profile of an employer's membership or liability reflects various measurements of that employer's **members**, i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its **maturity** also.

Rates and Adjustments Certificate

A formal document required by the LGPS Regulations, which must be updated at least every three years at the end of the formal **valuation**. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three-year period until the next valuation is completed.

Scheduled Bodies

Types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).

Secondary contribution rate

The difference between the employer's actual and **Primary contribution rates**. In broad terms, this relates to the shortfall of its asset share to its **funding target**. See Appendix D for further details.

Stabilisation

Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund. Different methods may involve: probability-based modelling of future market movements; longer deficit recovery periods; higher discount rates; or some combination of these.

Valuation

An actuarial investigation to calculate the liabilities, future service contribution rate and common contribution rate for a Fund, and usually individual employers too. This is normally carried out in full every three years (last done as at 31 March 2016) but can be approximately updated at other times. The assets value is based on market values at the valuation date, and the liabilities value and contribution rates are based on long term bond market yields at that date also.

Appendix G - Salary Growth: Managing the Risk

G1 What is salary growth strain?

Prior to 1st April 2014, the Local Government Pension Scheme (LGPS) was a 'final salary' scheme, so a member's pension accrued before 1st April 2014 is directly linked to their salary at retirement. This means that salary increases awarded to your employees have a direct impact on your total pension costs. At each triennial valuation of the pension fund, the actuary assumes about the level of future salary growth. At the next valuation, the actuary then assesses the difference between the increases awarded over the last three years compared to those assumed. If salary increases were higher than anticipated, then this will lead to higher pension costs. This increase in costs is referred to as 'salary growth strain'.

G2 Why is the salary growth strain calculated?

At the 2016 valuation, the fund has discussed the appropriateness of such an assumption considering recent economic conditions and the outlook for future long term pay awards. The actuary has agreed to use a much lower assumption at this valuation, equal to an equivalent long-term rate of retail price inflation ("RPI") less 0.7% p.a. A lower salary increases assumption benefits employers in that the value placed on their pension costs are reduced via an improved balance sheet position and lower calculated contribution rate (all else being equal).

However, this places a greater risk on the fund of employers awarding larger than expected pay increases and not being able to meet the additional pension costs in the future. Therefore, it is appropriate for the fund to put in place a mechanism that helps control this risk.

G3 How will the mechanism work?

Salary increases will be monitored annually and any salary growth strain arising will be immediately billed to the responsible employer.

At each period end, the Fund will provide salary data for all your employees to the actuary who will calculate whether any salary growth strain has occurred over the year. The actuary will compare each member's salary at the period-end (e.g. 31 March 2017) against the salary at the previous period end (e.g. 31 March 2016). For those members who have left during the period, the period-end salary will be that at the date of leaving. For those members who have joined during the period, the previous period end salary will be that at the date of joining.

If a strain has occurred, the Fund will recharge the additional liabilities incurred to you in the form of an additional one-off top up contribution. Assessing and managing pay growth strain on an annual basis means that there will be no nasty surprises resulting from pay awards at the 2019 valuation.

It is important to realise that these additional contributions are not an extra cost of participating in the fund. Any salary strain payments have historically been met via higher ongoing pension contributions (due to a higher salary growth assumption being used) or they have emerged at the next valuation resulting in a funding deficit and caused future contributions to rise.

G4 What if salary increases are less than expected?

It is not permissible under the LGPS Regulations to reduce the level of an employer's contributions between actuarial valuations. You will therefore not be permitted a reduction in your certified contributions because of pay increases being less than expected. If, however, a pay award gain is calculated in one year, then we would allow this to offset a strain occurring in any future year up to the next formal valuation date. If the overall impact of salary increases between valuations is a gain, then this will be credited to you in your balance sheet position at the next valuation and this will help to reduce your contribution rate going forward (all other things being equal).

Appendix H – Outcome of the 2016 Investment Strategy Review

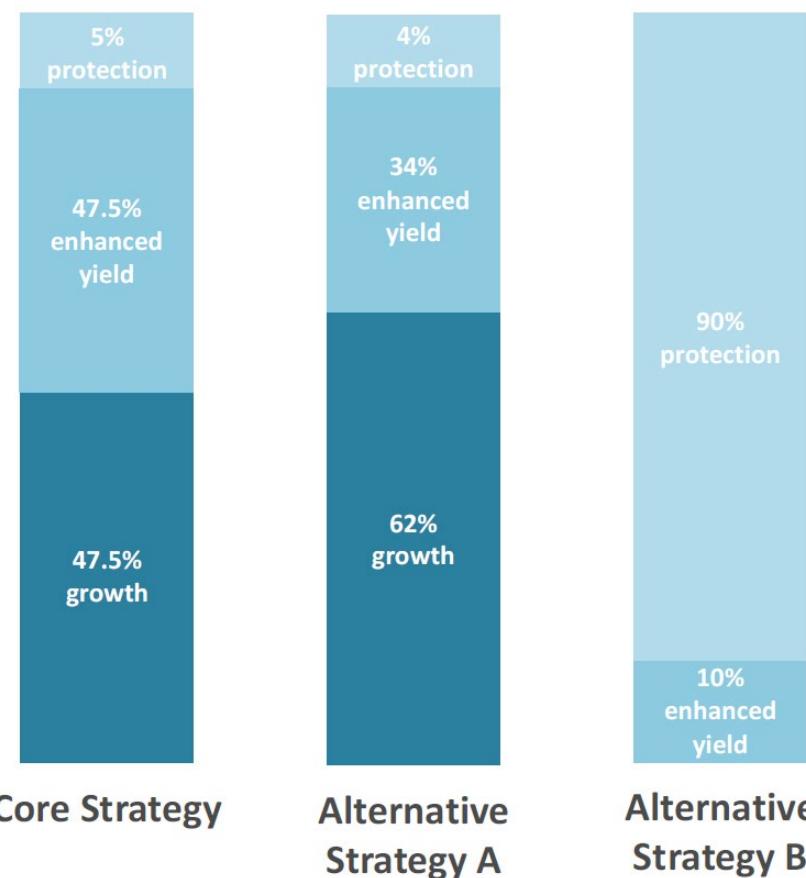
Since the 2016 valuation the Fund has carried out an in-depth review of its investment strategy.

Historically the Fund has operated a single investment strategy for all employers. However, due to the increasing diversity amongst the Fund's employers, this approach has changed.

From June 2017, the Fund continues to operate a Core Investment Strategy which most employers participate in. Alongside the Core Strategy, the Fund now also operates two additional investment strategies:

- Alternative Strategy A: this investment strategy has a higher allocation to growth assets than the Core Strategy. The purpose of this strategy is to generate additional investment returns to help improve funding positions. With higher allocation to growth assets does increase the investment risk in the strategy is increased.
- Alternative Strategy B: this investment strategy has no allocation to growth assets. The purpose of this strategy is to protect the funding positions for employers who have ceased participation in the Fund and reduce the risk to remaining employers of having to fund these residual liabilities.

At a high level, the investment strategies are:



Further details can be found in the Fund's Investment Strategy Statement.

An employer is allocated into one of the alternative investment strategies if the Fund deems this to be an appropriate change in strategy given an employer's funding profile and objective.

The following factors are considered when making this decision:

- Employer body type e.g. admitted body
- Funding target i.e. ongoing or cessation
- Approach to new entrants i.e. open or closed
- Other factors depending on employer's funding objective:
 - Open, non-admitted Body: maturity, net cashflow
 - Closed, non-admitted body: funding level
 - Admitted body: funding level, maturity, net cashflow

Employers with active members who are deemed to fit the criteria for participating in one of the alternative investment strategies are consulted with before any change in strategy is implemented.



Norfolk Pension Fund

**The Norfolk Pension Fund
is committed to delivering
a consistently high level of
performance and customer service.**

**Good communication is core
to this commitment.**

**This document sets out how
we do this.**



**CUSTOMER CARE AND
COMMUNICATION STRATEGY STATEMENT JUNE 2019**



Customer Care and Communication Strategy Statement

This Customer Care and Communication Strategy Statement aims to ensure that the Norfolk Pension Fund:

- provides clear, relevant, accurate, accessible and timely information
- listens, considers and responds appropriately to communication we receive
- uses plain English wherever possible, and avoids unnecessary jargon
- uses communication channels which best fit the audience and the information being passed on



Communication is ‘to share or exchange information or ideas’

Our Core Customer Care Standards

- To answer the telephone within 15 seconds, and respond to enquiries within five working days
- To respond to letters and faxes within five working days
- To respond to email or text phone enquiries within three working days
- To meet visitors within five minutes of appointment time
- When visiting, to agree a time in advance and show identity card

Who are we in regular communication with?

- Pensions Committee (The Trustees)
- Pensions Oversight Board
- Participating employers
- Scheme members
- Prospective members
- Scheme member representatives
- Norfolk Pension Fund staff
- Other bodies, including
 - Investment managers
 - The media
 - Actuaries
 - Other pension funds
 - Ministry of Housing, Communities and Local Government (MHCLG) and The Pensions Regulator (regulators of the scheme)

How does the Norfolk Pension Fund communicate?

When deciding how to communicate, we consider the audience, the message and the cost to the Fund.

We want to get our messages over and to make ourselves available to hear queries, opinions and concerns.

We make use of telephone, email, surface mail, fax, internet, social media, paper publications, face to face conversations and meetings, seminars, road shows, attendance at conferences and other forums.

Data Protection Statement

Norfolk County Council on behalf of Norfolk Pension Fund is a Data Controller under the General Data Protection Regulations. This means we store, hold and manage your personal data in line with statutory requirements to enable us to provide you with pension administration services. To enable us to carry out our statutory duty, we are required to share your information with certain bodies, but will only do so in limited circumstances. For more information about how we hold your data, who we share it with and what rights you have to request information from the Fund, please visit www.norfolkpensionfund.org.

Pension Committee Trustees

The Pensions Committee act as trustees and oversee the management of the Norfolk Pension Fund. The Members of the Committee are committed to ensuring the best possible outcomes for the Norfolk Pension Fund, its participating employers and scheme members. Their knowledge is supplemented by professional advice from Norfolk Pension Fund staff, professional advisers and external experts.

The Trustees

Norfolk County Councillors

Judy Oliver (Chairman)

Danny Douglas

Tom FitzPatrick

Martin Storey

Brian Watkins



Two District Councillors

Alan Waters (Vice-Chairman)

John Fuller

Staff representative

Steve Aspin

Sharing information

Committee Meetings

The Pension Committee meets quarterly, to consider all investment and administration (the calculation and payment of benefits) issues related to the Norfolk Pension Fund. It monitors performance, discusses significant issues and makes all decisions related to the Fund. The Executive Director of Finance and Commercial Services, Norfolk Pension Fund staff and other professional advisors prepare reports, briefings and make recommendations for the Committee to consider and act upon.

Observers

People who would like to see the Pensions Committee in action are always welcome to attend public session meetings as observers.

Internet

Pensions Committee reports, agendas and minutes are available via the Norfolk County Council internet and intranet sites at www.norfolk.gov.uk under **Council and Democracy then Meetings**.

Pensions Oversight Board

The Pensions Oversight Board helps ensure that the Norfolk Pension Fund continues to be well run and properly managed. The purpose of the Board is to assist Pensions Committee and Officers with responsibilities for managing the Norfolk Pension Fund by helping to:

- Secure compliance with the Regulations, any other legislation relating to the governance and administration of the scheme, and requirements imposed by The Pensions Regulator in relation to the scheme and;
- Ensure the effective and efficient governance and administration of the scheme

The full **Terms of Reference** for the **Pensions Oversight Board** are on the Norfolk Pension Fund website at www.norfolkpensionfund.org.

Board Members

Independent Chair	Kevin McDonald, Director of Pensions, Essex Pension Fund
Scheme Member Representative	John Harries (Active/Deferred member)
Scheme Member Representative	Brian Wigg (Pensioner member)
Scheme Member Representative	Rachel Farmer (Trade Union)
Scheme Employer Representative	Cllr Chris Walker, Poringland Parish Council (Levy/charging employers)
Scheme Employer Representative	Howard Nelson, Diocese of Norwich Education and Academies Trust (Non levy/charging employers)
Scheme Employer Representative	Debbie Beck, Norfolk County Council

Sharing information

There are at least two **Pensions Oversight Board** meetings a year. Papers, agendas and minutes of these meetings are published on the Norfolk Pension Fund website at www.norfolkpensionfund.org.

In addition, the **Pensions Oversight Board** produce an annual report in accordance with any regulatory requirements.

Scheme members

Norfolk Pension Fund scheme members come from a range of private, public and quasi-public organisations across the county.

It is essential that scheme members are provided with detailed information about the scheme and be able to understand what pension and benefits they may be entitled to in the future.

Communication with members reflects the varying interests and concerns of the different groups of scheme members:

Active members (29,067)

People currently in the employment of a participating employer.

Deferred members (36,947)

People who have left the employment of a participating employer, but who have not yet retired.

Pensioner members (25,354)

People in receipt of a pension from the Norfolk Pension Fund.
(Membership numbers as at 31 March 2019)

Telephone Helpline

A dedicated helpline for scheme members is operated by our experienced Pension Administration Team.

The team gives advice to active, deferred and retired members on scheme membership and benefits.

01603 495923

Phone lines open

Monday to Thursday 8.45am - 5.30pm

Friday 8.45am - 4.30pm

Scheme members

Sharing information with scheme members...

Internet

The Norfolk Pension Fund website provides advice, information and news as well as **direct and secure access to members personal data**, including a pensions calculator for active members at www.norfolkpensionfund.org

Scheme guide

A scheme guide is supplied to all members and published on the website.

Annual Benefit Statement and newsletter

Annual Benefit Statement booklets are sent to members' home addresses. The booklet also gives information on changes to the scheme and other topical issues, including a summary of the accounts and a general review of the years progress.

Annual Meeting and Pension Clinics

Scheme members can raise questions directly with Pensions Committee at the Annual Meeting or discuss their LGPS pension face to face at a Pension Clinic.

Pay Advice and Pensions Increase Notification

Payslips are posted to all pensioners when the pension payment after tax is more than £1.00 different to the last monthly payment. Members can view their monthly payment details on our website. We write to members about the annual pensions increase and other important messages. We also send them a P60 Tax Form each year.

Pensions roadshows

Roadshows are run as, when and most importantly where they are needed.

Pre-retirement course

The Pension Fund supports a pre-retirement course, to help members approaching retirement prepare for the financial and lifestyle changes retirement brings.

Retired members events

An annual event for pensioners takes place at a number of venues across the County. Speakers cover a range of pensions, financial and lifestyle subjects, including an update on the LGPS. These events are made possible by kind donations from our fund managers, Custodian and Actuary. The annual **Christmas card**, sent to all retired members, acts as the invitation to this event.

Retired members newsletter

Our annual newsletter for retired members, Primetime, covers the latest information about Pensions and related information and is sent to all retired members.

	Active	Deferred	Pensioner
Internet	✓	✓	✓
Scheme guide	✓	✓	✓
Annual Benefit Statement and newsletter	✓	✓	✗
Annual Meeting and Pension Clinics	✓	✓	✗
Pay Advice and Pensions Increase Notification	✗	✗	✓
Pensions roadshows	✓	✗	✗
Pre-retirement course	✓	✗	✗
Retired members events	✗	✗	✓
Retired members newsletter	✗	✗	✓

Prospective and new scheme members

Most people coming to work for any of the employers participating in the Norfolk Pension Fund are able to join the Local Government Pension Scheme (LGPS).

An up-to-date list of all the employers who participate in the scheme is posted on our website:

www.norfolkpensionfund.org

Most employers automatically enrol eligible new employees into the LGPS. They then have the right to 'opt out' of the Fund and cease to be a member.

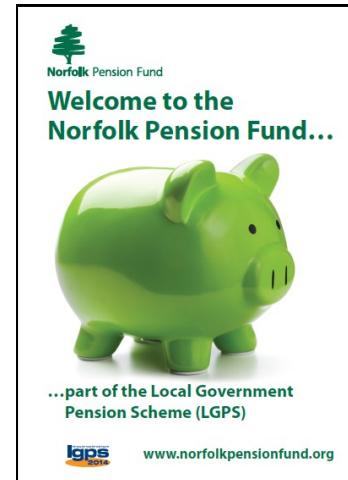
Some members will have circumstances that may make it appropriate to opt out of the Fund.

We want people to make well informed decisions. We work closely with employers to help prospective members understand the wider benefits of membership and to encourage new members not to give up scheme membership without careful consideration.

Sharing information with prospective/new scheme members

New joiner pack

All new members receive a 'new joiner' pack that includes a summary of the scheme benefits and costs, relevant forms and a full scheme booklet.



Online

The Norfolk Pension Fund website has an area for joiners with details of the scheme benefits, costs, who can join and how to join:

www.norfolkpensionfund.org

Induction courses

The benefits of membership are highlighted by scheme employers during their induction procedures.

Recruitment

Recruitment exercises highlight the opportunity of joining the scheme to potential employees.

Member representatives

The staff representative member of the Pensions Committee is also a representative of UNISON.

We maintain positive relations with member representatives and meet as requested or needed.

Employers

At the end of March 2019, the Norfolk Pension Fund had 400 contributing employers. This included Norfolk County Council, non-uniformed police authority and fire service staff, district councils, parish councils and drainage boards, a range of charities and quasi-government organisations such as the Citizens Advice and housing associations, increasingly some private companies delivering services on behalf of local authorities, and a growing number of academy schools.

Sharing information with our employers

Employer Forum

All employers are invited at least twice a year to the Employer Forum. This is a great opportunity for employers and Norfolk Pension Fund colleagues to get together, to exchange news and views. Norfolk Pension Fund staff update employers with the latest news affecting the Norfolk Pension Fund, and external speakers provide insights into the wider pensions world.

Employer Manual

Our interactive Employer Manual is provided via the Norfolk Pension Fund website, and aims to provide all the information needed to take part effectively in the pension scheme.

Employer Newsletter

The Fund publishes a newsletter at least twice a year, aimed specifically at employers. It covers topical issues under debate, technical changes that need their attention and changes to regulations that impact on their duties and responsibilities.

Annual Report and Accounts

The audited accounts of the Norfolk Pension Fund are prepared as at 31 March each year and published on our website.

Specialist advice

Professional advice can be provided/arranged, related to specific pensions activities undertaken by employers, for example transfer of staff, external contracts, etc.

Internet - www.norfolkpensionfund.org and PensionsWeb (Employer Portal)

The Fund's website hosts an area for employers. It has lots of information about the scheme and the Norfolk Pension Fund. The employer manual, year end packs, information, forms and employer newsletters are all available online. Our Employer Portal gives employers access to view their own data, securely exchange data and submit requests and changes online.

Contacts database

We maintain an employer contact database.

Email

Updates on relevant topics are emailed to employer contacts as appropriate.

Fact sheets

Pension Fund fact sheets are maintained on issues such as early retirements.

Individual employer meetings

Pension Fund staff will attend pensions related meetings at employers premises on request.

Other bodies we communicate with

The Ministry of Housing, Communities and Local Government (MHCLG): We have regular contact with MHCLG, as regulator of the scheme, and participate in a number of working groups where new developments are discussed.

Scheme Advisory Board (SAB): Head of the Norfolk Pension Fund, Nicola Mark, is the elected practitioner representative on the Scheme Advisory Board.

The Pensions Regulator (TPR): to ensure good governance and standards of administration and compliance with Public Service Code of Practice 14.

ACCESS (A Collaboration of Central, Eastern and Southern Shires): The Norfolk Pension Fund is one of 11 LGPS Funds in the ACCESS investment pool.

The Society of County Treasurers

Chartered Institute of Public Finance Accountants (CIPFA): The Head of the Norfolk Pension Fund, Nicola Mark, sits on the CIPFA Pensions Panel.

Local Authority Pension Fund Forum (LAPFF): Norfolk Pension Fund is a member of the LAPFF, which was established to help local authority funds share information and ideas about how we can be socially responsible owners of the companies in which we invest.

Pensions and Lifetime Savings Association (PLSA): The Norfolk Pension Fund is a member of the PLSA, which helps us be a part of the national pensions debate. The Head of the Norfolk Pension Fund sits on the Main Policy Board and is also Chair of the Local Authority Committee.

South Eastern Counties Superannuation Officers Group: Pension Officers from administering authorities in the region meet regularly to share information and ensure uniform interpretation of the rules governing the scheme.

Investment Managers, Professional Advisors and Actuaries: We have regular meetings with the Fund Managers who invest the monies belonging to the Fund. We also meet the Fund's actuaries who measure and value the assets and liabilities of the Fund, and calculate the necessary Employer contribution rates to keep the Fund solvent.

Heywoods CLASS and Payroll User Groups: We are active members of the Heywood's Administration CLASS (Computerised Local Authority Superannuation System) and Payroll system users groups.

Pension Fund Custodian: The Fund's custodian is HSBC, who ensure the safekeeping of the Fund's investment transactions and all related share certificates, etc.

Barclays Bank: provide banking services to the Fund

The Press: The Fund has a good working relationship with professional pension publications and the local media.

Seminars and conferences: Norfolk Pension Fund staff regularly attend and speak at seminars and conferences, to continue their professional development, maintain knowledge levels and to contribute to pensions development.

Norfolk Pension Fund staff

The Norfolk Pension Fund is managed by Norfolk County Council.

Administrator of the Norfolk Pension Fund Norfolk County Council Executive Director of Finance and Commercial Services, Simon George.



Head of Service
Head of the Norfolk Pension Fund, Nicola Mark leads the Service.



Pension Administration
Pensions Manager, Mark Alexander's team, provide benefit administration services to the scheme members and participating employers.



Investment
Chief Investment Manager, Glenn Cossey's team, manages the pension fund investments and accounts, as well as providing support to the Trustees in their stewardship of the fund.



Business Manager
Jo Quarterman supports governance, communication, service development and project management .



Norfolk Pension Fund

Sharing information

Management meetings

The Management Team meets regularly, for strategic and development planning and review, as well as operational performance issues and monitoring.

Team meetings

Team meetings take place regularly, and are supplemented by additional or informal meetings for specific issues as required.

Service Plan

The Fund maintains a three year service plan, which sets out the agenda for the future. All the team share the plan, and discuss at team meetings.

Team development

A budget is allocated for training and development. A combination of formal and informal training and development is maintained.

Appraisal process

The appraisal process provides a formal opportunity for discussion between staff and their managers, in addition to informal day to day communication. Objectives are linked to the Service Plan.

Intranet, internet and email

All staff have access to the (Norfolk County Council) intranet, the internet, email and a shared electronic diary system.

**Norfolk Pension Fund,
4th/5th Floor Lawrence House,
5 St Andrews Hill, Norwich, NR2 1AD
Telephone: 01603 495923
Fax: 01603 495795
Email: pensions@norfolk.gov.uk
www.norfolkpensionfund.org**

Norfolk Pension Fund publications

Communication material	Paper based	Online	Large sight copy	Braille/ Audio	When published	When reviewed
Website: www.norfolkpensionfund.org		✓	Help available	Help available	Constantly available	Ongoing
Scheme Booklet	✓	✓	On request	On request	Constantly available	Ongoing
Summary Guide to the LGPS	✓	✓	On request	On request	Constantly available	Ongoing
Annual Benefit Statement, members newsletter and accounts	✓	✓	On request	On request	Annually	Annually
Pay advice slip	✓	✓	On request	On request	Online - Monthly Paper - only if payment changes	Monthly
Retired members newsletter	✓	✓	On request	On request	Annually	Annually
Information sheets (various)	✓	✓	On request	On request	As required	Ongoing
Employer Manual	✓	✓	On request	On request	Constantly available	Ongoing
Employer Newsletter	✓	✓	On request	On request	Twice a year	Twice a year
Report and Accounts	✓	✓	On request	On request	Annually	Annually
Pensions Committee Papers	✓	✓	On request	On request	Quarterly	Quarterly
Pensions Oversight Board Papers	✓	✓	On request	On request	3-4 times a year	3-4 times a year
Press articles	✓	✓	On request	On request	As required	As required

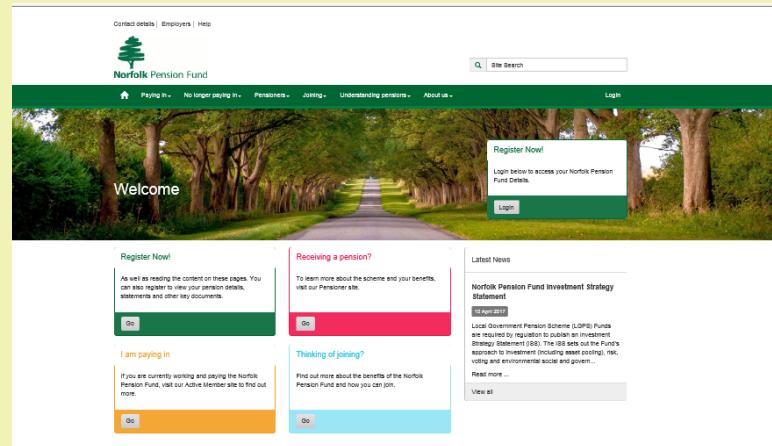
Norfolk Pension Fund Events

Pensions Committee	Four times a year
Pensions Oversight Board	Three to four times a year
Employer Forum	Twice a year
Annual Meeting and Pension Clinics	October/November
Retired member events	April/May
Pre-retirement course	Bi-monthly
Norfolk Pension Fund member roadshow	At employers premises, as requested
Induction sessions for employers (new HR and Finance staff)	As requested

Visit the Norfolk Pension Fund at
www.norfolkpensionfund.org

For information on

- Benefits
- Fund performance
- Fund literature and guides
- Events
- Latest news
- Contact information



Register for online services for

- Personal details
- Annual Benefit Statement
- Pension payments
- Online requests





Norfolk Pension Fund

This document sets out the
Governance arrangements
for the
Norfolk Pension Fund
as at June 2019



Governance Statement 2019

Administering Authority

Norfolk County Council (NCC) is the **Administering Authority** of the Norfolk Pension Fund and administers the Local Government Pension Scheme (LGPS) on behalf of participating employers and scheme members.

- Norfolk County Council has delegated its pensions functions to the **Pensions Committee**
- Norfolk County Council has delegated responsibility for the administration and financial accounting of the Norfolk Pension Fund to the **Executive Director of Finance and Commercial Services**
- The **Norfolk Pension Fund Pensions Oversight Board** acts as the **Local Pension Board** for the Norfolk Pension Fund

Pensions Committee

The Pensions Committee is responsible for the strategic management of the assets of the Fund and the administration of benefits. The Pensions Committee meets quarterly in order to:

- Ensure compliance with legislation and best practice
- Determine policy for the investment, funding and administration of the Fund
- Monitor performance across all aspects of the service
- Consider issues arising and make decisions to secure efficient and effective performance and service delivery
- Appoint and monitor advisors
- Ensure that arrangements are in place for consultation with stakeholders as necessary



Pensions Committee Trustees*

- The Pensions Committee act as Trustees and oversee the management of the Norfolk Pension Fund
- As Trustees, their overriding duty is to ensure the best possible outcomes for the Pension Fund, its participating employers and scheme members
- Their knowledge is supplemented by professional advice from Pension Fund staff, professional advisers and external experts
- To meet the requirements set out by the Pensions Regulator's Code of Practice, Trustees need a certain level of expertise. An ongoing programme of trustee training is delivered and no substitutions are allowed at Committee

Pensions Committee Membership

There are eight members of the Pensions Committee:

Chairman	Norfolk County Councillor	Judy Oliver
	Norfolk County Councillor	Danny Douglas
	Norfolk County Councillor	Tom FitzPatrick
	Norfolk County Councillor	Martin Storey
	Norfolk County Councillor	Brian Watkins
Vice-Chairman	District Councillor (elected by the Local Government Association)	Alan Waters
	District Councillor (elected by the Local Government Association)	John Fuller
	Staff Representative	Steve Aspin
	Observer**	Open to all participating Employers
Other attendees	Administrator of the Fund (NCC Executive Director of Finance and Commercial Services)	Simon George
	Head of the Norfolk Pension Fund	Nicola Mark
	Investment Advisor to the Fund (Hymans Robertson)	William Marshall

* Pensions Committee members act as Trustees but do not have legal status as Trustees.

** The observer seat is not currently part of the formal Constitution and does not have voting rights. However, the observer seat is an equal member of the Committee in all other ways, with access to all Committee papers, officers, meetings and training, along with the opportunity to contribute to the decision making process.

Local Pension Board

In line with all public service pension schemes, each Local Government Pension Scheme (LGPS) Fund is required to have a Local Pension Board.

The Local Pension Board for the Norfolk Pension Fund is called the **Norfolk Pension Fund Pensions Oversight Board**.

Role of the Pensions Oversight Board

The role of the **Pensions Oversight Board**, as defined by Regulation 106 of the Local Government Pension Scheme Regulations 2013, (“the Regulations”) is to:

- Assist the **Administering Authority** to secure compliance with:
 - the Regulations and any other legislation relating to the governance and administration of the Local Government Pension Scheme (LGPS);
 - requirements imposed in relation to the LGPS by the Pensions Regulator (tPR);
 - and
 - such other matters as the LGPS regulations may specify
- Assist the **Administering Authority** to ensure the effective and efficient governance and administration of the Norfolk Pension Fund
- Provide the **Administering Authority** with such information as it requires ensuring that any member of the **Pensions Oversight Board** or person to be appointed to the **Pensions Oversight Board** does not have a conflict of interest

The **Pensions Oversight Board** also helps ensure that the Norfolk Pension Fund is managed and administered effectively and efficiently and complies with the Code of Practice on the governance and administration of public service pension schemes issued by The Pensions Regulator.

The creation of the **Pensions Oversight Board** does not change the core role of the **Administering Authority** nor the way it delegates its pension functions to the **Pensions Committee**. The **Pensions Oversight Board** does not replace the **Administering Authority** nor make decisions which are the responsibility of the **Administering Authority** under both the Regulations and other relevant legislation.

The **Pensions Oversight Board** only has the power to oversee decisions made by the **Administering Authority** and to make recommendations to improve the efficient and effective administration and governance of the pensions function, including funding and investments.

The full **Terms of Reference** for the **Pensions Oversight Board** are on the Norfolk Pension Fund website at www.norfolkpensionsfund.org.

Pensions Oversight Board Membership

The **Pensions Oversight Board** has an equal number of scheme member and scheme employer representatives (three of each), along with an Independent Chairman:

Independent Chair	Kevin McDonald, Director of Pensions, Essex Pension Fund
Scheme Member Representative	John Harries (Active/Deferred member)
Scheme Member Representative	Brian Wigg (Pensioner member)
Scheme Member Representative	Rachel Farmer (Trade Union)
Scheme Employer Representative	Cllr Chris Walker, Poringland Parish Council (Levying/precepting employers)
Scheme Employer Representative	Howard Nelson, Diocese of Norwich Education and Academies Trust (Non-levying/precepting employers)
Scheme Employer Representative	Debbie Beck, Norfolk County Council

Pensions Oversight Board members comply with the Norfolk Pension Fund training policy, and training opportunities are as far as possible are shared with the **Pensions Committee**.

Each member of the **Pensions Oversight Board** is responsible for complying with the knowledge and understanding requirements of section 248A of the Pensions Act 2004.

Pensions Oversight Board Meetings

There are at least two **Pensions Oversight Board** meetings a year and it normally meets quarterly.

Papers, agendas and minutes of these meetings are published on the Norfolk Pension Fund website at www.norfolkpensionfund.org.

In addition, the **Pensions Oversight Board** produce an annual report in accordance with any regulatory requirements.

Executive Director of Finance and Commercial Services

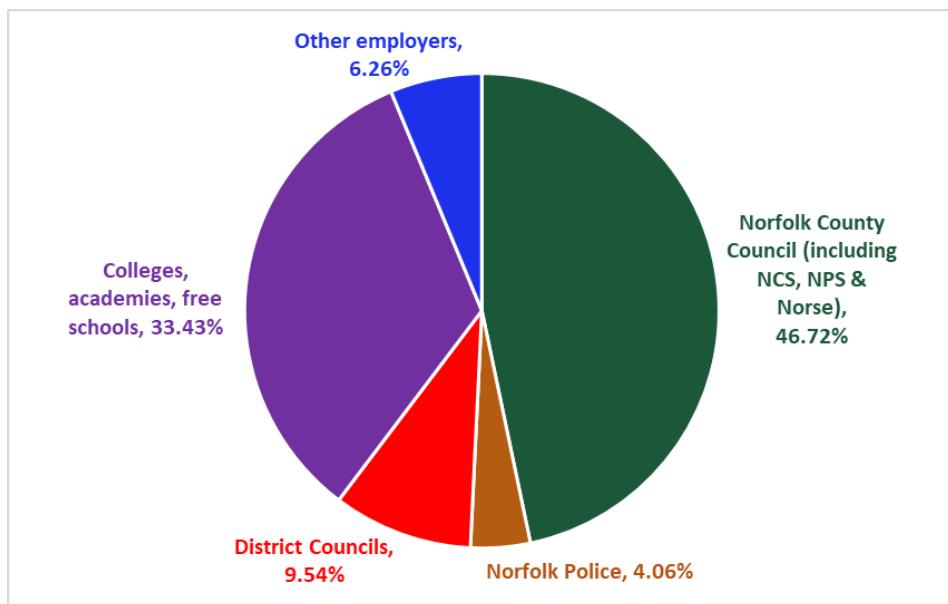
- The **Executive Director of Finance and Commercial Services** is Norfolk County Council's Chief Finance Officer and Section 151 Officer
- As Administrator of the Fund he is responsible for:
 - The administration and financial accounting of the Fund
 - The preparation of the Pension Fund Annual Statement of Accounts

Legislation and Regulations

- The Norfolk Pension Fund administers the Local Government Pension Scheme (LGPS) in Norfolk and is governed by the:
 - Local Government Pension Scheme Regulations 2013
 - Local Government Pension Scheme (Miscellaneous Amendments) Regulations 2014
 - Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014
 - Local Government Pension Scheme (Amendment) Regulations 2015
 - Local Government Pension Scheme (Management and Investment of funds) Regulations 2009, and subsequent amendments
- **Pensions Committee** is governed by Norfolk County Council's procedural rules under the Council's Constitution. The Committee's **Terms of Reference** are:
 - "To administer all aspects of the Norfolk Pension Fund on behalf of Norfolk County Council as Administering Authority of the Local Government Pension Scheme, and on behalf of Norfolk County Council as an employer within the scheme alongside all other contributing employers, and on behalf of all scheme beneficiaries (scheme members) including:
 - Functions relating to local government pensions etc under regulations made under Sections 7, 12 and 24 of the Superannuation Act 1972
 - To receive and consider the draft Financial Statements for the Norfolk Pension Fund
 - To comment on the draft Financial Statements and make a recommendation to the Audit Committee that they be approved/not approved"
- Financial affairs are conducted in compliance with Norfolk County Council's Financial Regulations
- Funds are invested in compliance with the Norfolk Pension Fund's Statement of Investment Principles

Membership of the Fund and Local Accountability

Active Membership Breakdown by Employer as at 31 March 2019



Local Accountability - Representation

Employers

- Employers are directly represented on Pensions Committee and the Pensions Oversight Board
- All employers are invited to regular Employer Forums and the Annual Meeting

Scheme Members

- Scheme Members are directly represented on Pensions Committee and the Pensions Oversight Board
- All active and deferred scheme members are invited to the Annual Meeting and Pensions Clinics; retired members are invited to the Retired Members Forum

Membership as at 31 March 2019

400 Contributing Employers

25,354 Pensioners

(members in receipt of a pension from the Fund)

29,067 Active Members

(members who are currently in the employment of a participating employer)

36,947 Deferred members

(members who have left the employment of a participating employer, but who are not yet in receipt of their pension)

Local Accountability - Transparency

- The Fund is committed to providing clear, relevant, accessible and timely information to all stakeholders
- How it does this is set out in the annually updated Customer Care and Communication Strategy Statement. This is on our website at www.norfolkpensionfund.org
- Pensions Committee reports, agendas and minutes are published on the Norfolk County Council website at www.norfolk.gov.uk
- Pensions Committee meetings are open to the public
- Pensions Oversight Board reports, agendas and minutes are published on the Norfolk Pension Fund website at www.norfolkpensionfund.org
- The Annual Pension Fund Report and Accounts, reporting on the activities and investment performance of the Fund, and including the Pensions Oversight Board annual report, are on our website at www.norfolkpensionfund.org
- Payments over £500 are published on the Norfolk County Council website at <https://www.norfolk.gov.uk/what-we-do-and-how-we-work/open-data-fois-and-data-protection/open-data/payments-to-suppliers>
- Extracts from the Annual Report and a signpost to the whole document are included in the Annual Benefit Statement sent to all scheme members, and in Primetime, the annual magazine sent to all retired members
- All scheme members and employers are invited to an Annual Meeting
- All employers and members of the Pensions Committee are invited to our Employer Forums, held twice a year. These are an opportunity for employers to discuss matters of interest to their organisations with officers and members

ACCESS Investment Pool

The Norfolk Pension Fund participates in ACCESS (A Collaboration of Central, Eastern and Southern Shires), an investment asset pool of eleven Administering Authorities within the Local Government Pension Scheme (LGPS).

The ACCESS authorities have signed an Inter Authority Agreement which established a Joint Committee at which the Chair from each Administering Authority Section 101 Committee ('Pensions Committee') is represented.

The Norfolk Pension Fund Pensions Committee and Pensions Oversight Board are regularly updated and review the work of the Joint Committee and the Operator, and ACCESS investment performance.

More information can be found on the ACCESS website at www.accesspool.org.

Norfolk Pension Fund

Lawrence House

5 St Andrews Hill

Norwich

NR2 1AD

Pensions Administration

01603 495923

Fax 01603 495795

pensions@norfolk.gov.uk

Investment, Accountancy and Actuarial Services

01603 222139

Fax 01603 228898

pensions.finance@norfolk.gov.uk

Website, Technical and Employer Queries

01603 222132

pensions.systems@norfolk.gov.uk



If you would like this newsletter in large print, audio, Braille, alternative format or in a different language, please call 01603 222824 or email pensions@norfolk.gov.uk

Introduction

The Norfolk Pension Fund is responsible for administering the Local Government Pension Scheme on behalf of Norfolk County Council (the Administering Authority).

The Pension Administration Strategy (PAS) sets out the requirements of employers which will enable them and Norfolk Pension Fund to meet their legal obligations in respect of the Local Government Pension Scheme (LGPS) within a regulatory regime which has increasingly high levels of external scrutiny.

Approximately 250 employers participate in the Norfolk Pension Fund at October 2015 which includes the County, District, City, Borough, Town and Parish Councils together with Norfolk Police (non-uniformed), Academies and Free Schools (non-teaching), many charities and voluntary organisations and an increasing number of private sector companies.

In preparing the PAS, Norfolk Pension Fund has consulted on the principles of this strategy with scheme employers. This document sets out the PAS incorporating those principles.

The PAS will be kept under review and any appropriate revisions made to this document. Any material change will come back to Pensions Committee for consideration. The latest version is always available from our website www.norfolkpensionfund.org.

Aims and Objectives

The aim of the PAS is to detail requirements for liaison and communication between employers and Norfolk Pension Fund and to establish minimum levels of administrative performance required by all parties to meet their statutory obligations. The PAS aims to promote good working relationships and improve transparency, efficiency and quality.

The efficient operation of the scheme is dependent upon stakeholders carrying out their responsibilities diligently and in accordance with agreed and well documented processes. The actions of employers have a significant impact on the performance and quality of pension administration.

Administration fees are spread proportionately among all employers of the fund via an allowance (defined by the scheme actuary) within the employer pensions contributions. Where an employer puts a disproportionate burden on administration through its poor performance then this could in effect be subsidised by other employers. This strategy enables Norfolk Pension Fund to reserve the right to re-charge such employers for the additional costs they cause.

The objective of the PAS is to ensure that Norfolk Pension Fund can provide an efficient and value for money service at fair cost to all its stakeholders.

Regulatory Framework

The LGPS is a statutory scheme set up under the Public Sector Pensions Act. Its scheme rules are contained within the Local Government Pension Scheme Regulations 2013 (as amended). The relevant regulations for this Strategy document are:

Regulation 59 – Pension Administration Strategy

Regulation 70 – Additional Costs arising from Scheme Employer's Level of Performance

Regulation 71 – Interest on Late Payments by Scheme Employers

Regulation 80 – Exchange of Information

Other relevant legislation and guidance:

- Pensions Regulator's "Code of Practice" Number 14: "Governance and Administration of Public Sector Pension Schemes"
- Data Protection Act
- Pensions Acts
- Finance Acts
- Occupational Pension Schemes (Disclosure of Information) Regulations

Supporting Employers

All new employers are given appropriate support and training including a walk-through of online services (PensionsWeb) and the Employer Handbook (G001).

All employers have access to all our Employer Guides, policy and strategy documents on our website or they are available in hardcopy on request.

Additionally, Norfolk Pension Fund hold regular Employer Forum, training events and issue Employer newsletters.

Relevant Norfolk Pension Fund Documents

These are available on our website:

AD1 - Administering Authority Policy

G001 - Employer Handbook

G010 - Pensionable Pay Guide

G020 - Contributions Guide

G030 - Absence Guide

G040 - Leavers and Retirements Guide

G050 - Guide to the Employer Portal

G060 - Employer Pensions Policy Guide

G070 - Employer IDRP Guide

G080 - Prospective Employer Guide

G100 - HR Guide to the 2014 Scheme

G101 - Payroll Guide to the 2014 Scheme

Customer Care and Communications Strategy

Governance Strategy Statement

Pension Administration Strategy – AD2 (this document)

Scheme Employer Main Responsibilities

The main responsibilities of all scheme employers are set out below. The performance standards are required to enable the Norfolk Pension Fund to deliver an efficient, high quality, value for money service within the regulatory framework it operates under.

Where an employer uses a third party (e.g. payroll or HR provider) to carry out the functions on their behalf the employer still retains the legal responsibility for ensuring those functions are carried out correctly and on time.

Function / Task	Performance Expectation / Target
Provide details to Norfolk Pension Fund of a person to be the main point of contact for LGPS pension matters (the Pensions Liaison Officer – PLO)	Notify Norfolk Pension Fund 1 month before a new employer joins the scheme. Notify Norfolk Pension Fund within 1 week of any change to the PLO
Ensure that the PLO has access to PensionsWeb (secure website)	Within 1 week of being notified a Norfolk Pension Fund account has been set up
PLO should ensure that contact details are maintained on PensionsWeb for all relevant staff of the employer including “online users”	Update the relevant details within 1 week of any changes
Publish a Pensions Policy Statement and send a copy to Norfolk Pension Fund	Within 1 month of employer joining the fund or within 1 month of any changes to the policy
Nominate an adjudicator for disputes	Within 1 month of employer joining the fund or within 1 month of any changes
Nominated representative(s) attend Employer Training Events, Employer Forum, Employer Briefing held by NPF	Attendance at such events
Respond to enquiries from Norfolk Pension Fund	Within 10 days of the enquiry or such other timescale requested by Norfolk Pension Fund
Distribute information provided by NPF for information of active scheme members	Within 10 days of being provided with the information
Implement correct or amended Employer Contribution Rate or monthly deficit payment	From the appropriate date notified by Norfolk Pension Fund
Pay over monthly employee and contributions to Norfolk Pension Fund by BACS or similar electronic method and provision of SR71 form	By date shown on SR71 forms (e.g. 7 th or 15 th (or earlier working day) of the month following the deduction of employee contributions)
Pay over monthly employee AVC contributions to the relevant AVC provider by BACS or similar electronic method	By 15 th (or earlier working day) of the month following the deduction of employee contributions
Make payment of invoices issued by Norfolk Pension Fund in respect of additional employer contributions, missing employee contributions, early retirement strain, early retirement compensation payments, or additional costs associated with non-compliance of the PAS	Within 30 days of the date of the invoice

*Remit the Annual Contribution Return to Norfolk Pension Fund in required format	By 30 April following 31 March year end
Notify Norfolk Pension Fund of any contracting out of services/outsourcing etc. involves a TUPE transfer of staff	As soon as possible. Preferably up to 6 months before any such event
Issue New Member Packs to new or prospective scheme members	Preferably before employment begins, but within 1 month of starting
Deduct appropriate amount of employee contributions from employees pay inc additional contributions as notified by Norfolk Pension Fund or AVC provider	From next available payroll
Maintain individual (unique) reference (e.g. payroll reference or job reference) for each separate job an individual has. So that separate pension accounts can be identified and maintained for each.	Include this reference on all notifications and correspondence to Norfolk Pension Fund
* Notify NPF of new joiners. Including additional jobs for existing members	Within 1 month of joining
*Notify Norfolk Pension Fund of relevant changes to members circumstances (name, address, part-time hours, break in service)	Within 1 month of the change
* Early notification to Norfolk Pension Fund of forthcoming retirements	1 month before date of retirement (where possible – i.e. notice given by employee or employer)
Notification to Norfolk Pension Fund of death of active member including details of spouse, next of kin etc. by telephone	Within 2 days of the event
* Notify Norfolk Pension Fund of any leavers, retirements, deaths, opt outs	Within 1 month of the event to include all relevant paperwork and certificates

* Notification to Norfolk Pension Fund should be in the prescribed format. See section "Notifying Norfolk Pension Fund"

Notifying Norfolk Pension Fund

Norfolk Pension Fund currently provides several channels for employers to provide information. All notifications must be by one of the prescribed forms/methods. Options available currently include, paper forms (sent by post or delivered by hand), online forms, online bulk processes, secure email, fax transmission.

There is an overhead to the multi-channel approach as several systems have to be maintained and operated. Therefore Norfolk Pension Fund is moving to an online format (PensionsWeb) only for most forms where third party completion is not required. Online facilities exist for:

- Employers to maintain their contact details with us
- Notification of New Starters in bulk
- Notification of Changes
- Early Notification of Retirement
- Notification of Leaver
- Secure transmission of standard spreadsheets for Year End Return, notification of TUPE transfers, any other documents required to be sent to Norfolk Pension Fund

Forms requiring third party completion that cannot be catered for directly online include:

- New Member Form (completed by scheme member)
- Opt Out Notification (part completed by the scheme member)
- II Health Certificate (completed by the Medical Advisor)

However, completed versions of all these forms could be scanned by the employer and uploaded to the secure online facility.

From October 2016 it is expected that all employers will use online services only (PensionsWeb) where the appropriate facility exists.

Employer Performance Monitoring

Norfolk Pension Fund will look to work closely with employers where areas of poor performance are identified to ensure the necessary training and development are undertaken in order to address any shortcomings.

Pension Fund Responsibilities in Relation to Scheme Members

The main responsibilities of Norfolk Pension Fund in relation to scheme members are set out below, together with the performance standard expected to be met in order to demonstrate an efficient and high quality service.

Function / Task	Performance Expectation / Target
Provide Transfer In Quotes to scheme member	Within 10 working days of receipt of request and all information required
Provide Transfer Out Quotes to scheme member	Within 10 working days of receipt of request and all information required
Make Refund Payments to scheme member	Within 5 working days of receipt of request and all information required
Provide Estimate of Retirement Benefits in respect of scheme member	Within 10 working days of receipt of request and all information required
Calculate and Notify scheme member of Actual Retirement Benefits	Within 5 working days of receipt of request and all information required
Acknowledge Death of Member	Within 5 working days of receipt of request and all information required
Notify Dependents' Benefits	Within 5 working days of receipt of request and all information required
Notify Deferred Benefits	Within 10 working days of receipt of request and all information required
Response to general member enquiries	Within 5 working days of receipt of request and all information required
Make Monthly Pension Payments	On or before last banking day of each month
Issue Annual Benefit Statements	By 31 August following year end

Pension Fund Performance Monitoring

Norfolk Pension Fund carries out continual performance monitoring against its performance targets. These are measured against its peers in annual benchmarking exercises which are reported to employers, the pensions committee and details included in Norfolk Pension Fund annual report.

Policy on Re-charging Employers Direct for Administration Costs due to Failure to Comply with Requirements

Where ongoing performance issues are identified Norfolk Pension Fund will pro-actively seek to put an improvement plan in place. An **Improvement Notice** would be sent to the employer detailing the areas of concern, set timescales for improvement and confirm possible fees that Norfolk Pension Fund would seek to charge to the employer should performance not improve (see section **Administration Fees for Employer Work**).

Should performance not improve within the timescale set out in the **Improvement Notice** the breach will be reported to the Head of Norfolk Pension Fund in the first instance for consideration. Norfolk Pension Fund reserves the right to invoke the appropriate administration fees. Any events of this type will be reported to Pensions Committee.

Where performance issues are related to one-off events (e.g. provision of annual contribution return), and no extenuating circumstances are known to Norfolk Pension Fund, then an **Improvement Notice** will be sent by Norfolk Pension Fund. Fees (see section **Administration Fees for Employer Work**) may be incurred immediately and reported to the Pensions Committee. Serious non-compliance will also be reported to the Pensions Regulator.

Policy on Recovering Costs from Employers where Excessive Service Requested

In exceptional circumstances, Norfolk Pension Fund reserves the right to charge an administration fee. Examples of where this may apply include:

- Disproportionate or excessive employer requests for non-standard information (e.g. bespoke lists of its members' data etc.)
- An employer requests Norfolk Pension Funds significant assistance in ensuring that its own pension records are up-to-date.
- Where an employer changes payroll provider; the additional costs incurred in updating pension fund records may be recovered and also costs associated with processing multiple year end returns.

Norfolk Pension Fund may need to agree non-standard turnaround times for certain work in order to keep any administration costs to a reasonable level. Norfolk Pension Fund also reserve the right to charge fees (to cover the additional cost) to employers at the discretion of the Head of Norfolk Pension Fund.

Policy on Re-charging Employer with Other Charges or Obligations

Any fines, fees or other charges made on Norfolk Pension Fund but which relate to performance of the employer (e.g. by Pensions Ombudsman, the Pensions Regulator or other regulatory bodies) will be recharged to the employer.

Interest on late payment of contributions as defined in the Local Government Pension Scheme may be charged to the employer in addition to any administration fee.

Any event that seriously jeopardises the Norfolk Pension Funds ability to meet statutory requirements may invoke an immediate fine e.g. failure to provide annual contribution returns.

Penalties for Failure by Employers to Meet their Statutory Obligations

Administration fees shown below are charged at the discretion of the Head of Norfolk Pension Fund and would only be invoked if an employer has consistently failed to meet its obligations and an **Improvement Notice** has been issued but not complied with.

Regulatory Task	Administration Fee/Charge
Failure to appoint a Pension Liaison Officer (PLO) or keep NPF informed of PLO or change to contact details	£50 per occurrence plus £50 for each month of continued non provision
Late payment of employee and/or employer contributions	£50 per occurrence plus interest as defined in the LGPS Regulations
Non provision of the monthly SR71 contributions schedule	£50 per occurrence, plus £50 per week of continued non provision
Late provision of year end contribution return in prescribed format*	£1,000 per occurrence plus £100 for each week or part week of continued non provision
Late provision of starter notification	£50 initial charge plus £50 per month or part month of continued non provision
Late provision of leaver notification	£50 initial charge plus £50 per month or part month of continued non provision

* Due to the serious impact of this requirement, a penalty charge will apply for late submission and will only be waived in exceptional circumstances, as agreed by the Head of the Norfolk Pension Fund.

Apart from the requirement above, these fees and charges will only be made in exceptional circumstances and Norfolk Pension Fund will do everything possible to support employers in order to avoid them.

**Norfolk Pension Fund
Lawrence House
5 St Andrews Hill
Norwich NR2 1AD**

www.norfolkpensionfund.org

**Pensions Administration
Enquiries: 01603 495923
Fax: 01603 495795
Email: pensions@norfolk.gov.uk**

**Website, Technical and Employer-
specific Queries
Enquiries: 01603 222132
Email:
pensions.systems@norfolk.gov.uk**

We have facilities for meetings and small training events and would be very pleased to see you at any time.

Please contact us first to make sure we'll be available.

If you would like this guide in large print, audio, Braille, alternative format or in a different language, please contact us on 01603 222824 (minicom 01603 223833).

