Norfolk Pension Fund

Annual Report and Accounts 2013-14

Professional Pensions PENSION SCHEME OF THE YEAR AWARDS 2014 FINALIST

LGC Investment Awards 2013 FINALIST

for you, for now, for the future lgps 2014

Contents

IN TRAN communication for all

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Foreword from the Chairman of the Pensions Committee, Councillor Steve Morphew

As Chairman of the Pensions Committee with responsibility for overseeing the investment management and administration of the Norfolk Pension Fund, I am pleased to introduce the 2014 Annual Report and Statement of Accounts.

We are witnessing one of the most challenging periods in modern times within the pensions arena. The wide reaching and radical reforms – to the State Pension and all public service pensions schemes, alongside the introduction of auto enrolment and flexible access to pensions savings under the 'Freedom and Choice' initiative - will have an impact for generations to come.

The transformation of the Local Government Pension Scheme (LGPS) from a 'Final Salary' scheme to a 'Career Average' scheme came into effect on 1 April 2014. If you are paying into the scheme now the pension you build up from April 2014 is based on your average earnings until you take your pension. Pension you built up in the scheme before April 2014 will still be based on your final salary.

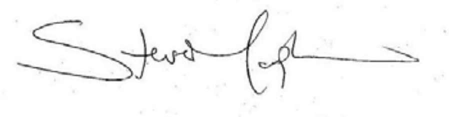
Very importantly, particularly within the LGPS where we have a high proportion of relatively low paid and part time workers, the scheme remains a defined benefit scheme. This guarantees members a stable income in retirement, linked to inflation rates. The LGPS is still a great scheme. These reforms of the pension landscape mean some of us may have more choice about when and how we transition into retirement – but with this flexibility comes greater responsibility.

Nowadays many of us build up a number of different pension arrangements throughout our working lives. If you haven't done so already, I would encourage you – and other members of your family and friends – to take some time to look at your/their pension arrangements in the context of personal circumstances and aspirations. Recent research by the Department of Work and Pensions suggests 12 million working people aren't saving enough for their retirement, so, while this may seem daunting, it will be time well spent.

You can work out your State Pension Age and get an indication of your State Pension at www.gov.uk/calculate-state-pension. We send statements to our members each year giving an indication of benefits, but members can always contact the Norfolk Pension Fund directly for advice about their LGPS benefits - contact details are on page 7. The team are always happy to hear from you, either over the phone, via email or by letter and members are very welcome to come in for a face to face chat at the Fund's offices in Norwich. Our website has lots of useful information at www.norfolkpensionfund.org and members who register can use a personal pension calculator to see how different scenarios affect their pension.

Unusually within the public sector, the LGPS is a funded scheme. Over the last year, the Norfolk Pension Funds' assets have continued to deliver positive performance, with a return across all assets of 7%. This was substantially greater than the returns available on cash and ahead of our long term strategic funding requirement. Looking ahead, we expect financial markets to continue to be volatile but believe that the Norfolk Pension Fund is well positioned to deliver positive long term returns.

May I take this opportunity to record my thanks to both my colleagues on Pension Committee and our advisors for their commitment and support over the last year. I would also like to express my appreciation to both the staff of the pension fund and our scheme employers who have worked so hard to support the successful implementation of the new scheme on behalf of our members.



Introduction from the Head of the Norfolk Pension Fund, Nicola Mark

In my role as Head of the Norfolk Pension Fund, I am privileged to regularly meet some inspiring people through our member engagement programme. All of our members, whether current, deferred or retired, have spent some (if not all) of their working lives supporting our communities and delivering the essential – but often unglamorous, overlooked or just taken for granted - services that our society needs.

So I am constantly reminded of the importance of the Local Government Pension Scheme (LGPS), which provides those who have contributed to it with a regular income in their retirement.

At the Norfolk Pension Fund – where we now have 75,000 members – the average pension in payment at the end of March 2014 was £4,827.13. While far from funding a jet setting lifestyle, this regular income can and does make a significant difference to people's security and comfort in older age.

This is why we continue to welcome careful and considered reform as both necessary to ensure the sustainability and viability of pensions going forward and to monitor and where necessary raise governance standards to support this.

Ensuring some security in retirement for our members is why the LGPS exists, why all pension funds exist. So we must ensure sustainability. Equally we must continually focus on helping people understand their pension, to support them in making good and appropriate decisions.

I hope the establishment of the new local Pension Boards will be effective in contributing to this, and I look forward to working with stakeholder representatives to ensure these new bodies have a positive impact both locally and nationally.

Through my role as the practitioner representative on the LGPS Shadow Scheme Advisory Board, and from colleagues at the Norfolk Pension Fund's involvement with the reform programme I know just how difficult it is to balance the need for progress in reform against the need to be vigilant, to guard against the unexpected consequences of our actions.

Pensions are a long term responsibility. The Pension Fund's relationship with our members may start in their teens as they start their working life and continue for the next 60 or 70 years, through their retirement.

So we must all – whether nationally or locally or as individual scheme members - take every care we can to make well considered and informed decisions. After all, the decisions we make today will have long term and far reaching impacts – and sometimes there is no going back!

I would like to thank the Chairman, trustees and of course the Norfolk Pension Fund staff for their commitment to ensuring we continue to deliver a successful Local Government Pension Scheme.

Contact Us

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Enquiries about pension benefits:	Norfolk Pension Fund
Tel:	01603 495923
Fax:	01603 495795
Email:	pensions@norfolk.gov.uk
Post:	Norfolk Pension Fund 5th Floor, Lawrence House 5 St Andrews Hill Norwich NR2 1AD

The Pension Administration Team offer dedicated help lines, operated by experienced staff.

The team can help with all aspects of scheme membership and benefits for active, deferred and pensioner 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

We have referred to a number of 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 using the above General Enquiries telephone number.

Management Structure

Administering Authority:	Norfolk County Council (NCC) County Hall Martineau Lane Norwich NR1 2DW
Scheme Administrator:	Peter Timmins, Interim Head of Finance (NCC)
Norfolk Pension Fund Officers:	Nicola Mark, Head of the Norfolk Pension Fund Glenn Cossey, Investment Manager Alex Younger, Pension Fund Investment & Actuarial Services Manager Mark Alexander, Pensions Manager
Legal Advisors:	nplaw (Norfolk Public Law)
Fund Custodian:	The Northern Trust Company (HSBC with effect from 1st October 2014)
Fund Actuary:	Hymans Robertson LLP
Investment Advisor:	Hymans Robertson LLP
Fund Managers:	Aviva Investors Berenberg Bank Baillie Gifford & Co Capital International Limited Fidelity Pensions Management HarbourVest Partners Henderson Global Investors Goldman Sachs Asset Management Legal & General Investment Management M&G Investments Insight Investment (Pareto) Management Sarasin & Partners SL Capital Partners (Standard Life) Wellington
Bankers:	The Co-operative Bank
Fund Auditor:	Ernst & Young
Performance Measurement:	WM
AVC Providers:	Clerical Medical Prudential Equitable Life (legacy only)

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 34 of The Local Government Pension Scheme (Administration) Regulations 2008 No. 239, all LGPS Funds are required to publish an Annual Report.

This document is the Annual Report of the Norfolk Pension Fund for 2013-14.

The LGPS in brief

- The LGPS is one of the largest public sector pension schemes in the UK, with 4.6 million members
- 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 99 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 fully protected as 'Final Salary'. For more information visit www.norfolkpensionfund.org or www.lgps2014.org

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Governance

Governance Statement

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

The Governance 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.

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 **Head of Finance**
- This report supports NCC's Annual Governance Statement, which is published in the Annual Statement of Accounts

Governance Compliance

The Norfolk Pension Fund is fully compliant with the principles set out in the Local Government Pension Scheme (Administration) Regulations 2008 (as amended) Regulation 31.

The full compliance statement is at Appendix IV.

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

Chair:	**Norfolk County Councillor**	Cllr Steve Morphew
Vice Chair:	**District Councillor (co-opted by the Local Government Association)**	Cllr Alan Waters
	Norfolk County Councillor	Cllr James Joyce
	Norfolk County Councillor	Cllr David Ramsbotham
	Norfolk County Councillor	Cllr Martin Storey
	Norfolk County Councillor	Cllr Judith Virgo
	District Councillor (co-opted by the Local Government Association)	Cllr John Fuller
	Staff Representative	Steve Aspin
	Observer	Open to all participating employers
Other attendees:	**Administrator of the Fund (NCC Interim Head of Finance)**	Peter Timmins
	Head of the Norfolk Pension Fund	Nicola Mark
	Investment Advisor to the Fund (Hymans Robertson LLP)	Ronnie Bowie / Scott Donaldson

Pensions Committee Training

The training needs of Committee members are considered alongside the 12-month Committee 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 Employers (LGE) and other associated events. A training log is maintained.

Committee members also attend an annual bespoke and comprehensive two-day knowledge and understanding event, where they talk to leading experts about all aspects of LGPS investment and governance along with any current issues.

In 2013, this included meeting the Department for Communities and Local Government, Hermes for an introduction to infrastructure investment and Hymans Robertson to discuss strategic asset allocation and portfolio construction. On day two there were sessions with Bailie Gifford on equity management, Goldman Sachs Asset Management to discuss excellence in pensions and Aviva Investors to talk about the role of property in portfolio construction.

Conflict of interests

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."

Pensions Committee Agenda Standing Item

Accountability and Transparency

Pensions Committee agendas, reports and minutes are published on the Norfolk County Council website at www.norfolk.gov.uk under **Council and democracy** then **Committees**.

Pensions Committee meetings are open to members of the public.

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

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

- Confidentiality Policy
- Data Protection Policy
- Governance Compliance Statement
- Information Security Policy

The Norfolk Pension Fund has a service level agreement with Norfolk County Council. Service standards are set out within Fund documentation.

The Norfolk Pension Fund has not used powers to seek compensation from employers in respect of any breaches of standards, preferring to work with employers to improve standards and performance.

Scheme Administration

The Norfolk Pension Fund Team

The Norfolk Pension Fund is managed and administered from its central Norwich offices at Lawrence House.

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.

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
- Pensions administration services for the Fire-fighters Pension Scheme / New Fire-fighters Pension Scheme
- Early retirement schemes for Fund employers
- Early retirement schemes for Norfolk LEA Teachers and Colleges

Operational costs

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

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

Key Performance Indicators

Norfolk Pension Fund takes part in the annual Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Administration Benchmarking Club. Results of the Key Performance Indicators are published each September, for the previous financial year (1 April to 31 March). The results from 2013-14 are detailed in the chart below:

Task	Target	Norfolk Results	Club Average
Letter detailing transfer-in quote	10 days	97.2%	89.5%
Letter detailing transfer-out quote	10 days	97.7%	92.1%
Process refund and issue payment voucher	5 days	100.0%	87.1%
Letter notifying **estimate** of retirement benefit	10 days	99.7%	90.8%
Letter notifying **actual** retirement benefit	5 days	99.9%	92.5%
Process and pay lump sum retirement grant	5 days	99.9%	92.7%
Letter acknowledging death of member	5 days	96.8%	90.9%
Letter notifying amount of dependant's benefits	5 days	95.2%	91.3%
Calculate and notify deferred benefits	10 days	98.5%	76.4%

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.

Customer Satisfaction

We gather feedback on our service from our customers that help us identify areas of improvement and opportunities for efficiency.

How satisfied were you with the service you received from Norfolk Pension Fund?	New Joiners Survey July 2013	Pensions Clinics Oct/Nov 2013	LGPS 2014 Presentations Mar/Apr 2014
Very satisfied	83%	86%	40%
Satisfied	17%	10%	58%
Neither satisfied or dissatisfied	-	4%	1.5%
Dissatisfied	-	-	0.5%
Very dissatisfied	-	-	-

Key Staffing Indicators

The annual CIPFA Pensions Administration Benchmarking Club also gives us information on Key Staffing Indicators, such as staff turnover and the ratio of staff to scheme members.

The results for 2013-14 are detailed in the chart below:

	2009-10		2010-11		2011-12		2012-13		2013-14	
Staff turnover										
Joining	2	7.0%	0	0.0%	1	4.2%	1	3.8%	2	7.0%
Leaving	2	7.0%	3	11.9%	3	12.7%	1	3.8%	0	0.0%
Total staff (FTE)	28.5		25.3		23.7		26.5		28.5	
LGPS Admin Staff (FTE)	23		20.3		18.7		20		22	
Members per Staff (FTE)	2769		3221		3613		3541		3405	
Staff to member ratio	1:120		1:159		1:193		1:177		1:155	

(FTE) = Full-time equivalent

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 of the team and linked into the performance appraisal process.

Data Security

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

- All staff are regularly made aware of the NCC 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 who work away from the office, 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

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.

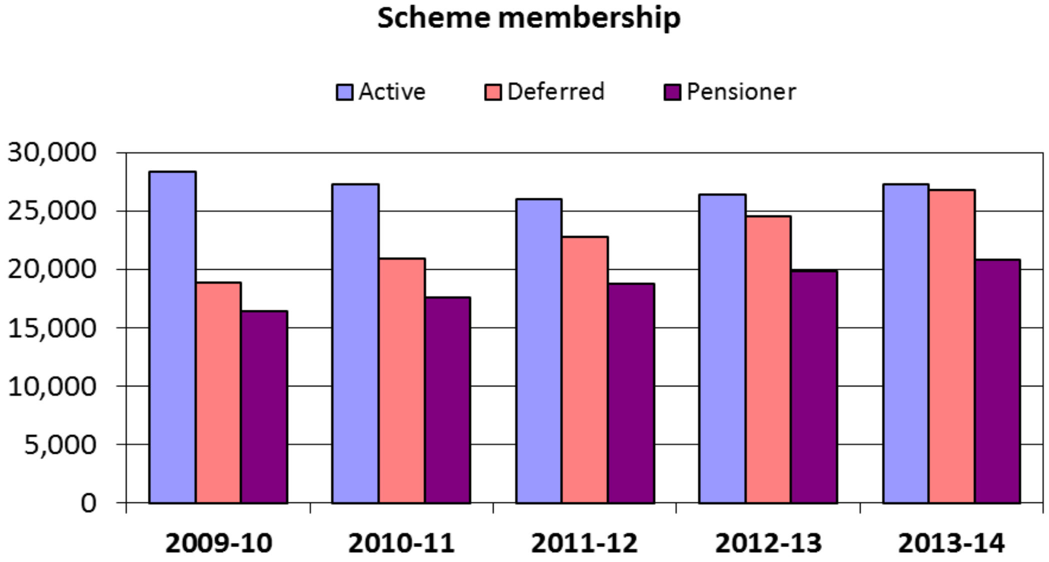
Internal Dispute Resolution Procedure

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 in the forms and publications area of our website at www.norfolkpensionfund.org.

There was one IDRP logged against Norfolk Pension Fund during 2013-14.

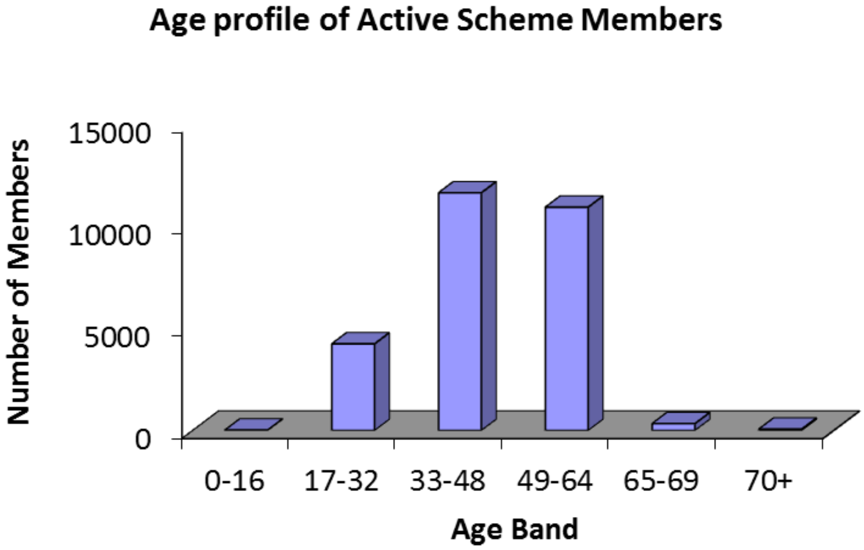
Analysis of membership

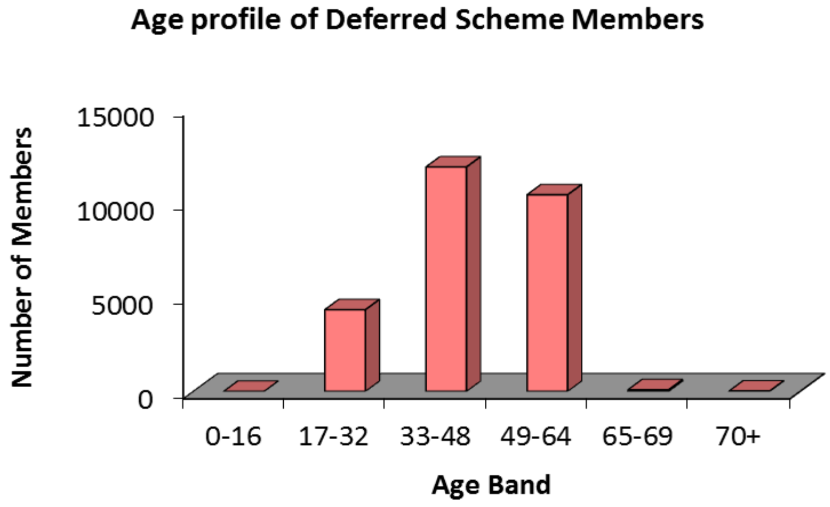


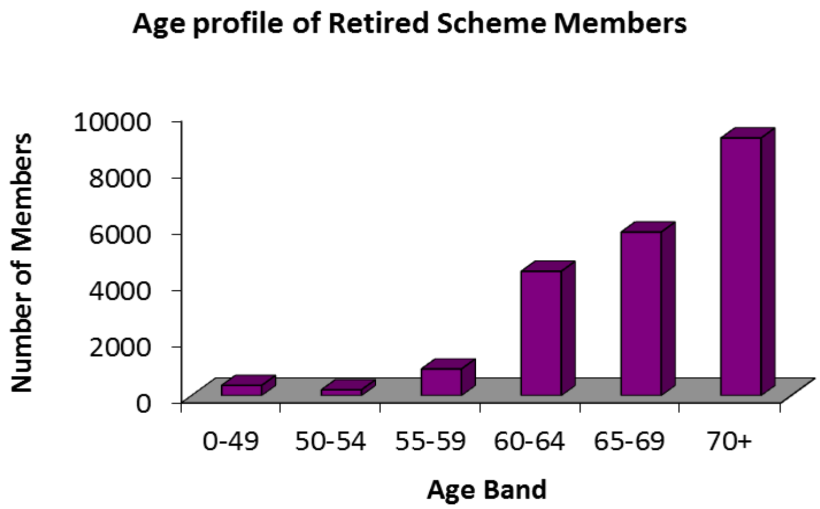
31 March	2009	2010	2011	2012	2013	2014
Active	27,418	28,405	27,313	25,991	26,439	27,254
Deferred	17,890	18,835	20,909	22,773	24,535	26,776
Pensioner	15,442	16,440	17,563	18,796	19,851	20,887
Total	**60,750**	**63,680**	**65,785**	**67,560**	**70,825**	**74,907**

Age profile

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

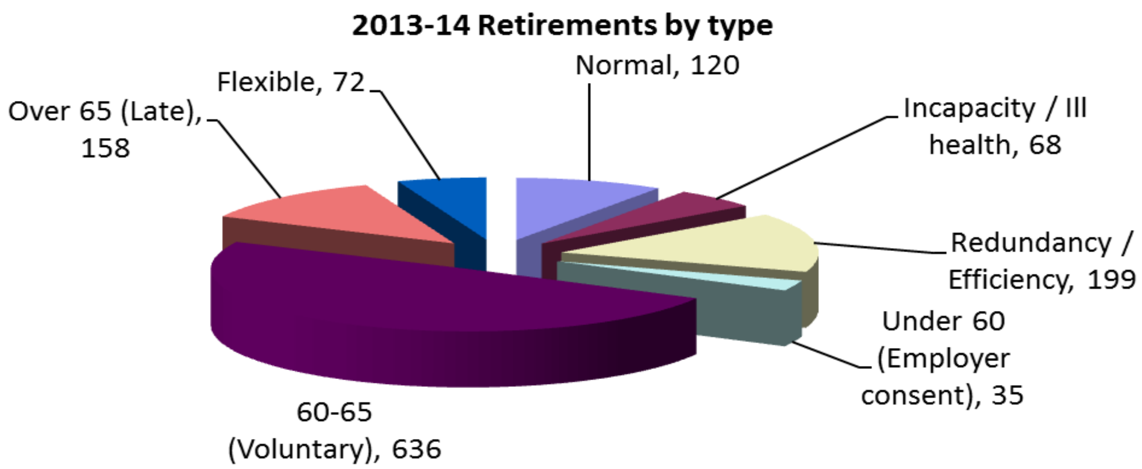






Breakdown of retirements

1,288 scheme members retired in 2013-14, broken down as follows:



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 in light of 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 review **investment risk and performance** quarterly and meet 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 our **Funding Strategy Statement**, which is available in the publications section of our website at www.norfolkpensionfund.org
- 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 (Ernst & Young) 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 17 of the accounts that accompany this report

Myners Compliance

The Norfolk Pension Fund complies with the six revised Myners Principles.

Norfolk Audit Services carried out an audit of compliance with Myners Principles in October and November 2010. This was part of the overall 2010-11 audit plan as agreed with the Head of Finance and the Head of the Norfolk Pension Fund.

The results of this audit found that the Fund's internal controls over compliance with Myners Principles are 'Acceptable'.

A summary of our level of compliance is included in our **Statement of Investment Principles** which is available online at www.norfolkpensionfund.org.

Communications

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 do all of this is set out in our **Customer Care and Communication Strategy Statement**, which can be found on our website at www.norfolkpensionfund.org.

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.

Online services

We have our own website at www.norfolkpensionfund.org offering three separate services.

The main public website is for general viewing and is split into areas for active, deferred and retired scheme members.

Employers have their own dedicated section where they can download useful documents and forms. This section allows employers to safely and securely exchange information with us too.

We also 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.

Financial Performance

The Norfolk Pension Fund prepares an Annual Budget which is reviewed and approved by the **Pensions Committee**. Details of the expenditure incurred during 2013-14 are provided in the accounts section accompanying this report.

There were no notifiable late payments of contributions by scheme employers during 2013-14. All contributions outstanding at 31 March 2014 were collected within statutory timeframes.

Movements in assets and liabilities are discussed in the following **Investment Policy and Performance** section.

Investment Policy and Performance

Fund Performance Review for the year 2013-14

Introduction

The Administering Authority invests the Fund in compliance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The Fund's investment advisor is Hymans Robertson LLP.

During 2013-14 twelve external investment managers managed the Fund's assets:

- Aviva Investors (property)
- Baillie Gifford & Co (UK equities)
- Capital International (global equities)
- Fidelity (overseas equities)
- Goldman Sachs Asset Management (absolute return fixed interest)
- HarbourVest (North American, global secondary and Asia Pacific focused private equity)
- Henderson (fixed interest)
- Legal & General Investment Management (UK equities - passive)
- M&G (buy and hold – corporate bonds)
- Sarasin & Partners (global equities)
- SL Capital Partners (Standard Life) (European focused private equity)
- Wellington (global equities)

One direct property asset is managed internally. The majority of the Fund's cash holdings are swept to AAA rated money market funds managed by Northern Trust (the global custodian of the assets).

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

Subsequent Changes

There have been no changes to the manager line-up or strategic allocations since the year end.

The global custodian of the Fund's assets and provider of cash sweep facilities will change from Northern Trust to HSBC in October 2014.

2013-14 Investment Results

In absolute terms the Fund's investment assets have achieved a return of 7% over the 12 months to 31 March 2014, broadly in line with the 12 month benchmark return and the benchmark return over the more meaningful three year time period. The majority of the absolute performance occurred in the middle part of the financial year, with flatter quarters at the beginning and end of the year.

The relative performance of the Fund against its benchmark remains volatile but shows some positive long-term trends. This reflects the pro-active changes that the Pensions Committee have made over the last few years. Longer time periods remain impacted by particularly weak performance in 2009-10 as the Fund lagged a strongly rising market. The Pensions Committee and their investment advisor have recognised that the relative performance has been disappointing and have made a number of changes to the investment managers and their mandates over recent years.

Each of the Fund's fixed interest managers (Henderson, M&G and GSAM) added value (exceeded benchmark performance) over the 12 months to 31 March 2014. The overseas equity mandate managed by Fidelity (the Fund's largest) performed particularly strongly in the period and the UK equity mandate managed by Baillie Gifford continued to deliver strong performance. This was offset by weaker numbers from Sarasin, Wellington and Capital. Both Wellington and Capital are relatively new appointments and despite the small setback of the last twelve months, the Capital mandate continues to show positive performance since benchmark changes were agreed by Pensions Committee two years ago. The Pensions Committee and its advisors remain committed to taking a long-term view of asset manager performance.

The performance achieved by the Baillie Gifford, Fidelity and the fixed income mandates is strong over longer time periods also. Legal & General continue to track the index successfully in accordance with the requirements of the mandate.

Unfortunately the outperformance achieved by these managers was offset by disappointing short and long term performance from Aviva (Property) and private equity as an asset class lagging the strong performance seen in the benchmark public indices.

The Aviva performance did reflect the impact of initial investment costs as the Fund restored the property allocation towards its strategic benchmark and disappointing outcomes from some Continental European investments. Some headwinds also arose on the currency hedging activities, although these continued to reduce the volatility in the portfolio that would otherwise arise due to changes in foreign exchange rates.

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 global corporate finance activity continued to pick up during the financial year, the Fund saw a strong flow of cash returns from investments made by the private equity managers earlier in the programme. It has also been particularly pleasing to receive early cash returns on some of the secondary investments made by the Fund. The Fund has continued to commit to new private equity funds to maintain the strategic exposure as earlier investments have returned capital.

The investment performance data for the Fund is shown in the following table:

% Return	2013-14 % per annum	3 Years % per annum	5 Years % per annum	10 Years % per annum	20 Years % per annum
Total Fund Return	7.0	7.0	11.5	7.2	7.1
Fund Benchmark Return	7.3	7.1	12.3	7.6	7.3

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 changes 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 triennial valuation of the Fund at 31 March 2013 was completed during 2013-14 in accordance with regulatory requirements. The results of this valuation showed an erosion in the funding position since the last exercise was completed. Pension liabilities are funded over a long timeframe, but in the shorter three-year inter-valuation period the value of the Fund's assets has not kept pace with the growth in the liability to pay future benefits.

The asset performance over the three years has actually been significantly greater than the long-term requirement of the Fund Actuary. However the exceptional financial market conditions of the last three years (near zero or below interest rates and the consequent "search for yield"; cheap money; "quantitative easing; loose monetary policy by central banks around the world) have driven a rapid and unprecedented growth in the liability measure.

The total growth in liabilities has occurred as a result of the additional accrual of benefit in the inter-valuation period, coupled with the changes in financial and demographic assumptions used by the Fund Actuary to calculate the results, driven by the exceptional conditions in financial markets. The results of the 2013 and 2010 Valuations, calculated on the funds ongoing valuation basis, are summarised in the table below:

	31 March 2013	31 March 2010
Past Service Liabilities	3,189	2,422
Assets	2,484	1,936
Surplus / (deficit)	(705)	(486)
Funding Level (solvency)	78%	80%

A full 2013 Triennial Valuation report, including formal actuarial commentary, is available on our website at www.norfolkpensionfund.org.

Investment Market Review to 31 March 2014

Introduction

This commentary provides an overview of performance and major events in global financial markets for the three year period ended 31 March 2014, whilst focusing in particular on the latest 12 months.

Review of Global Financial Markets

During the 12 months to 31 March 2014 most major investment markets, with the notable exception of government bond markets, delivered positive returns. The benign outcome for most asset classes was partly due to increasing investor confidence, partly to improving economic and corporate fundamentals, and partly in response to the continuation of the exceptionally loose monetary policy that remained a feature in many developed countries for much of the period.

In the US, signs that the economic recovery was gathering momentum proved to be particularly beneficial to the performance of the equity market. US equities reached record highs during the period, though the strength of sterling against the dollar over the period curtailed returns to 10%.

In December, the Federal Reserve unveiled plans to reduce its ‘quantitative easing’ programme (essentially, pumping money into the economy by buying bonds) and subsequently announced plans to further trim the levels of support.

There was also increased optimism over prospects for the UK, where economic data suggested that the worst of the slowdown had passed, and prompted talk of a possible interest rate rise. The more upbeat mood extended to the Eurozone, where even the states hit hardest by the financial crisis showed tentative signs of improvement.

Meanwhile, the Japanese government of Shinzo Abe continued to try and address longstanding economic problems in their country, and this had a generally positive impact on the domestic stock market, albeit yen weakness significantly impacted upon returns for sterling based investors.

Returns were more muted in other parts of Asia and many of the emerging markets. Perhaps the most significant issue was the ongoing uncertainty surrounding the outlook for the Chinese economy and the extent to which economic growth may slow. Much of the focus was on the ‘shadow banking’ sector there and the possible implications of this for the economy as the Chinese authorities continue to try to maintain economic growth at a healthy level.

Set against the backdrop of concerns about the extent to which China's growth is slowing, it was perhaps unsurprising that, given the oft-quoted position of China being the most significant global buyer of many raw materials, most commodities markets fared relatively poorly. This was reflected in lacklustre share prices for many resource-related companies globally.

In contrast, the technology and healthcare sectors of equity markets performed the strongest overall, although late in the period they gave up some ground in a reversal of momentum, which continued after the period end.

UK commercial property posted a very strong 14% return, perhaps reflecting the renewed optimism on the prospects for UK economy, as noted above.

Bonds had mixed fortunes over the year. On their broadest index measure, UK government bonds ended 2.5% lower, while overseas government bonds declined 8.5%, measured in local currency.

The bonds of many emerging economies reacted negatively to news of the partial withdrawal of monetary stimulus by the US government, with capital flows out of emerging markets a notable side-effect of this development.

The extra yield available on many corporate bonds initially proved attractive to investors seeking to improve their returns in a low interest rate environment and, although they suffered a dip as the period progressed, ended almost 2% higher. Many companies sought to take advantage of this backdrop to raise capital through new corporate bond issuance.

Although the investment environment remains relatively supportive, no doubt further political and economic challenges lie ahead and many markets may be volatile in the coming months. However, overall, the global economy continues to expand and make good progress following the severe impediments posed to it five years ago as the financial crisis unfolded.

The returns on the main asset classes over the 12 months and three years are illustrated in the charts on page 29.

Funding Strategy Statement

In accordance with the Local Government Pension Regulations, Norfolk Pension Fund has a **Funding Strategy Statement** in place. You can find this in the publications section of our website at www.norfolkpensionfund.org.

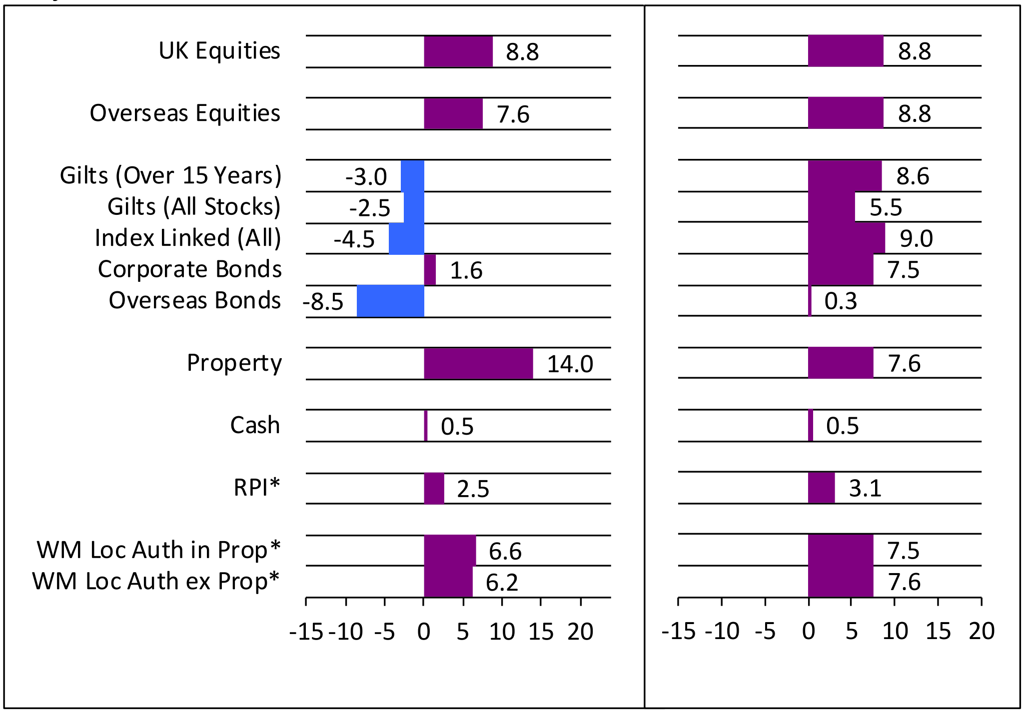
Statement of Investment Principles

We publish a **Statement of Investment Principles**, which can be found in the investment section of our website at www.norfolkpensionfund.org.

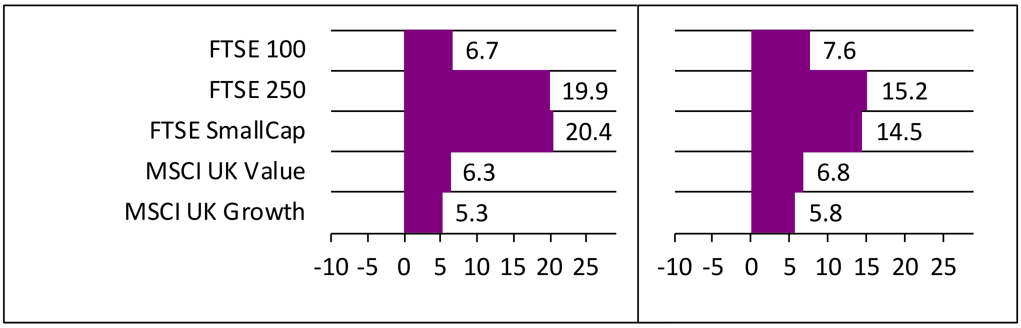
Historic Returns for World Markets

12 Months (%) | 3 Years (% pa)

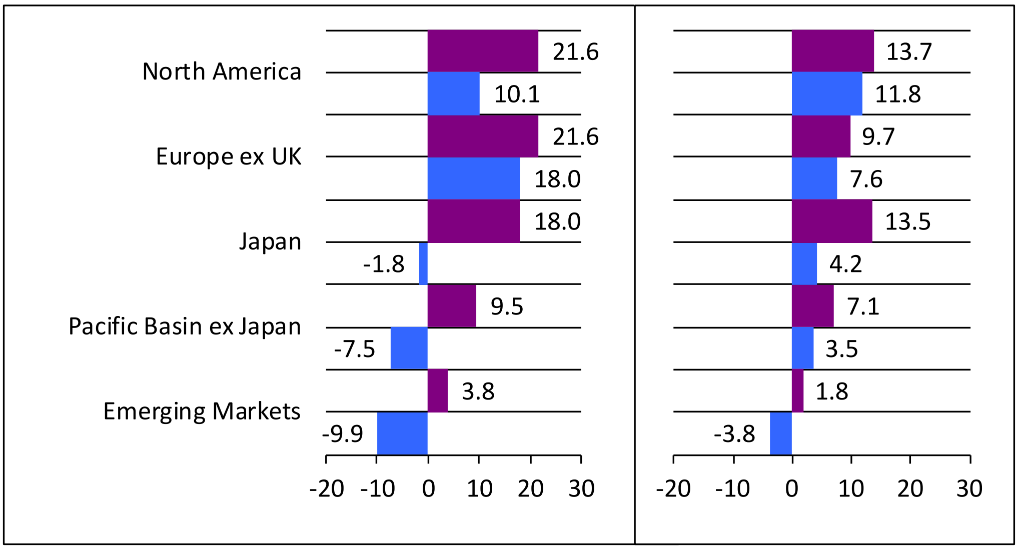
Major Classes



UK Market



Overseas Assets



*** Estimate** | Local | Sterling

National representation and involvement

Our officers work closely with the scheme regulator, the Department for Communities and Local Government (DCLG), in order to contribute to the development of the LGPS.

The Norfolk Pension Fund is a member of the National Association of Pension Funds (NAPF), which helps us contribute to the national pensions' debate.

The Fund is also 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.

We are very active in the Local Authority Liaison Group and Nicola Mark, Head of the Norfolk Pension Fund, sits on the Investment Council and the Local Authority Steering Group.

Nicola is the elected practitioner representative on the National Scheme Advisory Board and also sits on the Value for Money and Collaboration Sub Committee.

The Fund is represented at the Chartered Institute of Public Finance Accountants (CIPFA) Pensions Network and Nicola sits on the CIPFA Pensions Panel.

We take a leading role in the Pensions User Group (PUG), which is a network of over 30 LGPS funds that meet regularly to debate and share best practice on LGPS investment matters.

Along with other senior officers, the Fund's Pensions Manager Mark Alexander 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.

The Fund is an active member of the Heywood Administration CLASS (Computerised Local Authority Superannuation Scheme) and Payroll system user groups.

In addition to all of the above, Norfolk Pension Fund officers regularly attend and speak at various seminars and conferences. This is done to continue their professional development, maintain knowledge levels and contribute to the development of the LGPS and the wider pensions industry.

Norfolk Pension Fund

2013-14 Statement of Accounts

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 Head of Finance;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the statement of accounts.

The Head of Finance's Responsibilities

The Head of Finance 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 Head of Finance has:

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

The Head of Finance 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 Head of Finance

I certify the statement of accounts set out on pages 35 to 91 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 2014.

Signed: ______________________

Peter Timmins
Interim Head of Finance and Fund Administrator

Date: 25th September 2014

Independent Auditor’s Report

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

We have examined the pension fund financial statements for the year ended 31 March 2014, which comprise the Fund Account, the Net Assets Statement and the related notes 1 to 25.

This report is made solely to the members of Norfolk County Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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.

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of the Head of Finance’s Responsibilities set out on page 32, the Head of Finance 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 2013/14.

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 Foreword, Introduction, Management Structure, Governance and Myners Compliance, Scheme Administration, Risk Management, Communications, Financial Performance, Investment Policy and Performance, Investment Market Review, National representation and involvement and the Appendices.

We conducted our work in accordance with guidance issued by the Audit Commission. Our report on the administering authority’s full annual statement of accounts describes the basis of our opinion on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of Norfolk County Council for the year ended 31 March 2014 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Baldeep Singh
for and on behalf of Ernst & Young LLP, Appointed Auditor
Reading
30 September 2014

Revenue and Fund Account

For the Year Ended 31 March 2014

2012-13 £000		Notes	2013-14 £000
	Dealings with members, employers and others directly involved in the Fund		
111,682	Contributions	7	114,170
16,467	Transfers in from other pension funds	8	5,695
128,149			**119,865**
-111,801	Benefits	9	-118,397
-5,278	Payments to and on account of leavers	10	-5,397
-1,709	Administration expenses	11	-2,006
-118,788			**-125,800**
9,361	**Net additions/withdrawals from dealings with members**		**-5,935**
	Returns on investments		
54,007	Investment income	12	55,654
-342	Taxes on income	13	-373
232,679	Profit and losses on disposal of investments and changes in the market value of investments	15a	150,925
-10,101	Investment management expenses	14	-13,339
276,243	**Net return on investments**		**192,867**
285,604	**Net increase/decrease in the net assets available for benefits during the year**		**186,932**
2,197,611	**Opening net assets of the scheme**		**2,483,215**
2,483,215	**Closing net assets of the scheme**		**2,670,147**

Net Assets Statement

As at 31 March 2014

2012-13 £000			Notes	2013-14 £000	
2,475,509		Investment assets	15	2,656,212	
-17,480		Investment liabilities	15	-6,468	
	2,458,029				**2,649,744**
8,748		Long term debtors	20	9,082	
	8,748				**9,082**
		Current Assets			
17,928		Debtors	20	17,438	
4,461		Cash in hand	20	1,568	
22,389				**19,006**	
		Current Liabilities			
-5,951		Creditors	21	-7,685	
-5,951				**-7,685**	
	16,438	**Net current assets**			**11,321**
	2,483,215	**Net assets of the Fund available to fund benefits at the period end**			**2,670,147**

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 19.

Signed: ______________________

Peter Timmins
Interim Head of Finance

Date: 25th September 2014

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 2013-14 and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

The Fund is governed by the Superannuation Act 1972. The Fund is administered in accordance with the following secondary legislation:

- the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- the LGPS (Administration) Regulations 2008 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2009
- the Local Government Pension Scheme Regulations 2013
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014

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 Head of Finance.

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 181 employer organisations with active members in the Norfolk Pension Fund including Norfolk County Council as detailed below:

	31 March 2014	31 March 2013
Number of Employers with Active Members	**181**	**152**
Number of Employees in Scheme		
Norfolk County Council	15,074	15,457
Other Employers	12,180	10,982
Total	**27,254**	**26,439**
Number of Pensioners		
Norfolk County Council	10,861	10,325
Other Employers	10,016	9,526
Total	**20,877**	**19,851**
Deferred Pensioners		
Norfolk County Council	16,522	15,279
Other Employers	10,254	9,256
Total	**26,776**	**24,535**

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:
1. Circle Care and Support 2. Norfolk Community Alcohol Services (NORCAS) 3. Ormiston Children and Families Trust 4. Winterton-on-Sea Parish Council	1. Arden Grove Infant and Nursery Academy 2. Attleborough High School Academy 3. Blofield Parish Council 4. Cliff Park Ormiston Academy 5. Cliff Park Schools Trust Ltd 6. Costessey Infant School (Academy) 7. Ditchingham Church of England Primary Academy 8. Downham Market Academy 9. Edwards and Blake (Neatherd High) 10. Fakenham Academy Norfolk 11. Harling Parish Council 12. Heartsease Primary Academy 13. Hemblington Parish Council 14. Hethersett Academy 15. Independence Matters 16. Inspiration Trust 17. Moorlands Church of England Primary Academy 18. Nelson Academy 19. Norfolk and Suffolk NHSFT 20. Norwich Primary Academy 21. Norwich Road Academy 22. Ormiston Herman Academy 23. Pre-School Learning Alliance Hunstanton 24. Pre-School Learning Alliance Milestones 25. Pre-School Learning Alliance Thorpe 26. Sir Isaac Newton Free School 27. Snettersham Parish Council 28. St Clements High School Academy 29. Stalham Town Council 30. Taverham High School (Academy) 31. The Matthew Project 32. Thetford Free School 33. Woodlands Primary Academy

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

c) Funding

Benefits are funded by employee and employer contributions and investment earnings. For the financial year ending 31 March 2014, employee contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 5.5% to 7.5% of full-time equivalent pensionable salary.

For the financial year ending 31 March 2015, employee contributions will be made by active members of the Fund under the new scheme in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of actual pensionable pay.

Full-time equivalent salary 2013-14	Contribution rate per year
Up to £13,700	5.5%
£13,701 - £16,100	5.8%
£16,101 - £20,800	5.9%
£20,801 - £34,700	6.5%
£34,701 - £46,500	6.8%
£46,501 - £87,100	7.2%
More than £87,100	7.5%

Actual Pensionable Pay 2014-15	Contribution rate per year
Up to £13,500	5.5%
£13,501 to £21,000	5.8%
£21,001 to £34,000	6.5%
£34,001 to £43,000	6.8%
£43,001 to £60,000	8.5%
£60,001 to £85,000	9.9%
£85,001 to £100,000	10.5%
£100,001 to £150,000	11.4%
£150,001 or more	12.5%

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 2010 valuation set employer contribution rates for the 2013-14 financial year, and the rates range from 13.0% to 26.8% of pensionable pay (excluding lump sum deficit recovery payments).

The valuation at March 2013 has now been completed and has set the rates payable by employers for the period 1st April 2014 to 31st March 2017. Excluding lump sum deficit recovery payments these rates range from 0% to 28.6% of actual pensionable pay.

d) Benefits

Pension benefits under the LGPS (until March 2014) are based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary
Lump Sum	Automatic lump sum of 3 x salary	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

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.

Benefits are index-linked in order to keep pace with inflation. In June 2010, the Government announced that the method of indexation would change from the retail prices index to the consumer prices index. This change took effect from 1 April 2011. The 2014 pensions increase is 2.7% (2.2% in 2013).

LGPS 2014

The LGPS 2014 scheme came into force from 1st April 2014. The Local Government Pension Scheme Regulations 2013 and The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 set out the framework for the new scheme and were laid before parliament on 19th September 2013 and 10th March 2014 respectively.

The main provisions of the new scheme are as follows:

- A Career Average Revalued Earnings (CARE) scheme using CPI as the revaluation factor (the current scheme is a final salary scheme)
- An accrual rate of 1/49th (the current scheme is 1/60th)

- No normal scheme pension age, instead each member's Normal Pension Age (NPA) would be their State Pension Age (the current scheme has an NPA of 65)
- Average member contributions to the scheme would be 6.5% (same as the current scheme). The rate will be determined on actual pay (including non-contractual overtime and additional hours for part time staff (the current scheme determines part-time contribution rates on full time equivalent pay)
- A 50/50 option that will allow members to elect to pay half contributions for half the pension, while still retaining the full value of other benefits (the current scheme has no such flexible option)
- For current scheme members, benefits for service prior to 1st April are protected, including remaining 'Rule of 85' protection. Protected past service continues to be based on final salary and current NPA
- Death in Service 3 times pensionable pay
- Vesting Period 2 years (current scheme is 3 months)

2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2013-14 financial year and its position at year-end as at 31 March 2014. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14 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 19 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.

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.

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) Administration 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.

g) 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
Fidelity	Overseas Equities
Baillie Gifford & Co	UK Equities
Capital International	Global Equities

	2013-14 £000	2012-13 £000
Performance-related fees	2,634	947

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

	2013-14 £000	2012-13 £000
Value of fees based on estimates	3,451	2,149

The cost of obtaining investment advice from external consultants, investment performance measurement, governance and voting and custody is included in investment management charges.

Net Assets Statement

h) 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.

The values of investments as shown in the net assets statement have been determined as follows:

i) **Market-quoted investments**
The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

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

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

- Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the council expects to receive on wind-up, less estimated realisation costs
- Securities subject to takeover offer - the value of the consideration offered under the offer, less estimated realisation costs
- Directly held investments includes investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. 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
- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager
- Investments in private equity funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the appropriate industry guidelines

iv) **Limited partnerships**
Fair value based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

v) **Pooled investment vehicles**
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.

vi) Freehold and leasehold properties

The direct property holding is unchanged and was last valued at open market value on 31 March 2013 by NPS Property Consultants Ltd using a MRICS qualified Valuer in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards 2012.

i) Foreign currency transactions

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

j) Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

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

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

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

k) Cash and cash equivalents

Cash comprises cash in hand and demand deposits 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 (currently Northern Trust) 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 19).

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 (2) (b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009 but are disclosed as a note only (note 22).

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:

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

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. Standard Life funds are valued at 31 December and rolled forward for cash flows to 31 March.

	2013-14 £000	2012-13 £000
Value of unquoted private equity	188,146	181,608

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 18. 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 19). 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 18 and 19 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 of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the real discount rate assumption would result in a decrease in the pension liability of £333 million. A 0.25% increase in the assumed earnings inflation would increase the value of liabilities by approximately £53 million, a 0.5% increase in the pension increase rate would increase the liability by approximately £259 million and a one-year increase in assumed life expectancy would increase the liability by approximately £112 million.
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.	The total private equity investments in the financial statements are £188.1 million. There is a risk that this investment may be under or overstated in the accounts.

6. Events after the Balance Sheet Date

As at 31 March 2014 the transfer of probation services from Probation Trusts to Community Rehabilitation Companies and National Probation Services took place on 1 June 2014. The Norfolk and Suffolk Probation Trust (NSPT) is a participating employer in the Fund. As part of the transfer process probation service LGPS pension liabilities and associated assets will transfer to the Greater Manchester Pension Fund (GMPF) administered by Tameside Metropolitan Borough Council.

All membership will transfer as with effect from the transfer date. The liability to pay benefits or a refund of contributions under the Scheme will transfer to the Greater Manchester Pension Fund. As a consequence of this a bulk transfer of assets will be made to GMPF. The transfer of assets is expected to be completed by 31 March 2015 and initial calculations estimate the value of the transferring assets to be £74M.

Measured under accounting standard IAS19, the funded liabilities of the NSPT at 31 March were £97M.

There have been no events since 31 March 2014, and up to the date when these accounts were authorised, which require any adjustments to these accounts.

There have been no events since 31 March 2014, and up to the date when these accounts were authorised, which require any adjustments to these accounts.

7. Contributions Receivable

By Category

2012-13 £000		2013-14 £000
81,912	Employers – normal	84,045
801	Employers – special	334
206	Employers – augmentation	388
2,250	Employers – strain	2,682
25,587	Members – normal	25,842
926	Members – purchase of additional scheme benefits	879
111,682		**114,170**

By Authority

2012-13 £000		2013-14 £000
50,133	Administering authority	50,490
38,853	Other scheduled bodies	41,882
5,595	Community admission bodies	5,529
3,181	Transferee admission bodies	1,614
13,920	Resolution bodies	14,655
111,682		**114,170**

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.

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.

2012-13 £000		2013-14 £000
20,151	Deficit recovery contribution included in employers normal contributions	21,016
20,151		**21,016**

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.

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:

2012-13 £000		2013-14 £000
9	Strain instalments due after the balance sheet date	22
9		**22**

The debtors figure for augmentation/strain due in note 20 comprises the total of these balances plus the outstanding invoiced balances in respect of augmentation/strain due from Fund employers at 31 March 2014.

8. Transfers In From Other Pension Funds

2012-13 £000		2013-14 £000
8,176	Group transfers	0
8,291	Individual transfers	5,695
16,467		**5,695**

The 2013-14 transfers in figure represents the payments received by the Fund in relation to individual members' transfers of benefit into the Fund from other pension arrangements

In 2012-13 the transfers in figure represents the payments received by the Fund in relation to individual members' transfers of benefit into the Fund from other pension arrangements and the bulk transfer settlement received in the year from the Suffolk Pension Fund following the Easton and Otley College merger.

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.

2012-13 £000		2013-14 £000
8,504	HMCS total present value	8,823
8,504		**8,823**

The discounted value of the outstanding cash flows is included in debtor balances at the year-end. The total present value of these amounts is calculated as £8.8 million. 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

2012-13 £000		2013-14 £000
87,606	Pensions	93,207
21,886	Commutation and lump sum retirement benefits	23,089
2,309	Lump sum death benefits	2,101
111,801		**118,397**

By Authority

2012-13 £000		2013-14 £000
51,766	Administering authority	55,539
44,179	Other scheduled bodies	45,516
4,555	Community admission bodies	4,569
3,194	Transferee admission bodies	2,836
8,107	Resolution bodies	9,937
111,801		**118,397**

10. Payments To and On Account of Leavers

2012-13 £000		2013-14 £000
13	Refunds to members leaving service	17
5,210	Individual transfers	5,375
55	Payment made under Regulation 74, 75 and 15(3) of the Local Government Pension Scheme (Administration) Regulations 2008	5
5,278		**5,397**

11. Administrative 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).

2012-13 £000		2013-14 £000
1,073	Employee Costs	1,171
445	Operational support services	495
83	Communication expenses	100
42	Actuarial fees	193
17	Internal audit fees	20
23	External audit fees	21
19	Internal legal fees	2
7	External legal fees	4
1,709		**2,006**

12. Investment Income

2012-13 £000		2013-14 £000
6,038	Income from fixed interest securities	7,448
17,811	Equity dividends	18,969
11,073	Pooled Property investments	11,231
11,283	Pooled fund income - unit trusts and other managed funds	9,829
2,971	Private equity income	2,695
4,463	Pooled funds rebate	5,163
155	Stock lending	130
189	Interest on cash deposits	137
21	Property (note 12a)	36
3	Other	16
54,007		**55,654**

12a. Property Income

2012-13 £000		2013-14 £000
21	Rental income	36
-8	Direct operating expenses	-18
13	**Net income**	**18**

13. Taxes on Income

2012-13 £000		2013-14 £000
305	Withholding tax - equities	325
37	Withholding tax – pooled investments	48
342		**373**

14. Investment Expenses

2012-13 £000		2013-14 £000
4,617	Management fees – invoiced ad valorem	5,769
947	Management fees – invoiced performance	2,635
1,453	Management expenses on unit trusts	1,481
2,714	Private Equity – fund of fund fees	3,188
8	Direct Property	18
96	Custody fees	120
7	Performance monitoring service	8
57	Actuarial fees - investment consultancy	32
2	Internal legal fees	3
113	External legal fees	28
24	Governance & Voting Services	20
63	Derivative commission fees	37
10,101		**13,339**

15. Investments

Market Value 31 March 2013 £000		Market Value 31 March 2014 £000
	Investment assets	
119,061	Fixed Interest Securities	122,677
744,493	Equities	793,786
1,109,477	Pooled Investments	1,190,572
276,139	Pooled property investments	308,550
181,608	Private equity Partnerships	188,146
454	Property	454
1,537	Derivatives - forward currency	6,770
40,376	Cash deposits	40,844
2,364	Amounts receivable for sales	4,413
2,475,509	**Total investment assets**	**2,656,212**
	Investment liabilities	
-1,640	Derivatives – futures	-290
-7,165	Derivatives - forward currency	-1,756
-8,675	Amounts payable for purchases	-4,422
-17,480	**Total investment liabilities**	**-6,468**
2,458,029	**Net investment assets**	**2,649,744**

15a. Reconciliation of Movements in Investments and Derivatives 2013-14

	Market value 31 March 2013 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Market value 31 March 2014 £000
Fixed interest securities	**119,061**	17,631	-9,196	-4,819	**122,677**
Equities	**744,493**	281,002	-276,729	45,020	**793,786**
Pooled investments	**1,109,477**	107,178	-76,007	49,924	**1,190,572**
Pooled property investments	**276,139**	39,790	-18,469	11,090	**308,550**
Private equity	**181,608**	28,502	-28,993	7,029	**188,146**
Property	**454**	0	0	0	**454**
	2,431,232	**474,103**	**-409,394**	**108,244**	**2,604,185**
Derivative contracts:					
- Futures	**-1,640**	2,168	-3,225	2,407	**-290**
- Forward currency contracts	**-5,628**	95,872	-122,579	37,349	**5,014**
	-7,268	**98,040**	**-125,804**	**39,756**	**4,724**
Other investment balances:					
- Cash deposits	**40,376**			2,925	**40,844**
- Amount receivable for sales of investments	**2,364**				**4,413**
- Amount payable for purchases of investments	**-8,675**				**-4,422**
Net investment assets	**2,458,029**			**150,925**	**2,649,744**

15a. Reconciliation of Movements in Investments and Derivatives 2012-13

	Market value 31 March 2012 £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 2013 £000
Fixed interest securities	**112,838**	5,957	-3,109	3,375	**119,061**
Equities	**621,289**	192,417	-175,986	106,773	**744,493**
Pooled investments	**949,662**	55,402	-25,786	130,199	**1,109,477**
Pooled property investments	**274,311**	44,047	-25,095	-17,124	**276,139**
Private equity	**169,839**	21,276	-15,849	6,342	**181,608**
Property	**395**	0	0	59	**454**
	2,128,334	**319,099**	**-245,825**	**229,624**	**2,431,232**
Derivative contracts:					
- Futures	**-103**	3,855	-1,411	-3,981	**-1,640**
- Forward currency contracts	**1,705**	67,098	-62,543	-11,888	**-5,628**
	1,602	**70,953**	**-63,954**	**-15,869**	**-7,268**
Other investment balances:					
- Cash deposits	**42,908**			18,924	**40,376**
- Amount receivable for sales of investments	**2,944**				**2,364**
- Amount payable for purchases of investments	**-7,271**				**-8,675**
Net investment assets	**2,168,517**			**232,679**	**2,458,029**

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 2013-14	£765,000
Transaction costs incurred during 2012-13	£567,000

15b. Analysis of Investments (excluding derivative contracts and cash)

31 March 2013 £000		31 March 2014 £000
	Fixed Interest Securities	
	UK	
68,911	Corporate quoted	73,710
	Overseas	
478	Public sector quoted	442
49,672	Corporate quoted	48,525
119,061		**122,677**
	Equities	
	UK	
271,034	Quoted	271,726
	Overseas	
473,459	Quoted	522,060
744,493		**793,786**
	Pooled Funds - additional analysis	
818,775	Unit trusts	850,132
223,383	Unitised insurance policies	243,409
67,319	Other managed funds	97,031
1,109,477		**1,190,572**
276,139	Pooled property investments	308,550
181,608	Private equity	188,146
454	Direct Property	454
458,201		**497,150**
2,431,232		**2,604,185**

15b. 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 authorised the use of futures by Henderson and M&G to assist in meeting the investment objectives that they have been set. Specifically in the M&G portfolio futures are used to hedge the risk of a future rise in gilt yields and its impact on the portfolio. Henderson did not hold any futures contracts in its portfolio at 31 March 2014 (2013 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.

At the start of financial year 2012-13, the currency hedge activity in respect of quoted overseas equities was undertaken on a passive basis by the Custodian. The passive hedge ratio was 60% of the US Dollar, Euro and Yen exposure within the portfolios managed by Capital International, Fidelity, Sarasin and Wellington.

During 2012-13 the passive arrangement was replaced by a dynamic hedging programme managed by Insight Investment (Pareto) and Berenberg Bank. Both managers have retained a benchmark hedge of 60% of the US Dollar, Euro and Yen exposure within the portfolios managed by Capital International, Fidelity, Sarasin and Wellington. However, the dynamic hedge approach allows Insight Investment (Pareto) and Berenberg Bank to actively move the hedge ratio between 0% and 100% of the underlying currency exposure.

The Fund also requires 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. Similarly M&G are required to hedge 100% of the non-Sterling currency exposure (Euro) within its fixed interest portfolio.

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.

Futures

Outstanding exchange traded futures contracts are as follows:

Type	Expires	Economic Exposure £000	Market Value 31 March 2013 £000	Economic Exposure £000	Market Value 31 March 2014 £000
Assets					
UK fixed interest	Less than 1 year	0	0	-9,838	10
Total assets			**0**		**10**
Liabilities					
UK fixed interest	Less than 1 year	-95,344	-1,640	-81,028	-300
Total liabilities			**-1,640**		**-300**
Net futures			**-1,640**		**-290**

Included within cash balances is £1,595,000 (2013 £3,100,000) in respect of initial and variation margins arising on open futures contacts at the year end.

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	£	7,615	AUD	-14,217		-279
Up to one month	£	206,793	EUR	-247,816	1,897	
Up to one month	£	111,953	JPY	-19,036,664	1,044	
Up to one month	£	418,879	$	-691,836	3,829	
Up to one month	CHF	119	$	-135		0
Up to one month	EUR	50,564	£	-42,092		-285
Up to one month	EUR	88	$	-121		0
Up to one month	JPY	5,775,387	£	-34,262		-614
Up to one month	$	1,077	CHF	-953		-1
Up to one month	$	125	EUR	-91		0
Up to one month	$	87,145	£	-52,856		-576
Up to one month	$	714	NOK	-4,284		-1

Open forward currency contacts at 31 March 2014	**6,770**	**-1,756**
Net forward currency contracts at 31 March 2014		**5,014**
Prior year comparative		
Open forward currency contacts at 31 March 2013	**1,536**	**-7,164**
Net forward currency contracts at 31 March 2013		**-5,628**

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
CHF	Swiss Franc
EUR	Euro
NOK	Norwegian Krone
JPY	Japanese yen

15b. Investments Analysed by Fund Manager

Market Value 31 March 2013 £000	%		Market Value 31 March 2014 £000	%
466,168	18.97	Fidelity	473,082	17.85
283,769	11.54	Aviva Investors	318,194	12.01
231,495	9.42	Henderson Global Investors	275,899	10.41
267,647	10.89	Capital International Ltd	275,520	10.40
223,383	9.09	Legal & General Investment Management	243,409	9.19
247,561	10.07	Baillie Gifford & Co	241,021	9.10
153,235	6.23	Sarasin & Partners	173,273	6.54
147,796	6.01	Wellington International	173,216	6.53
131,285	5.34	Goldman Sachs Asset Management	151,592	5.72
122,288	4.98	M&G	126,385	4.77
84,605	3.44	HarbourVest Partners	94,720	3.57
97,003	3.95	SL Capital Partners	93,426	3.53
6,732	0.27	Northern Trust*	5,044	0.19
-5,640	-0.23	Insight Investment (Pareto) (Implemented October 2012)*	3,238	0.12
702	0.03	Berenberg Bank (Implemented January 2013)*	1,725	0.07
2,458,029	**100.00**		**2,649,744**	**100.00**

All the above companies are registered in the United Kingdom.

* The assets held by Northern Trust represent cash held in money market funds primarily to meet the cash flow requirements of the Fund’s private equity programme and monies held for property investment. Currency hedging contracts in respect of the Fund’s overseas equity holdings are reported in the Insight Investment (Pareto) and Berenberg Bank holdings. The market value of the contracts could represent a payable or receivable.

15b. Investments Representing More Than 5% of the Net Assets of the Scheme

Security	Market Value 31 March 2013 £000	Percentage of total fund %	Market Value 31 March 2014 £000	Percentage of total fund %
Legal & General UK Equity Index Fund	223,383	9.0	243,409	9.1
Fidelity Institutional Exempt America Fund	158,068	6.4	162,719	6.1
Goldman Sachs Strategic Absolute Return (STAR) Bond Fund	131,285	5.3	151,592	5.7
Fidelity Institutional Europe Fund	126,775	5.1	140,908	5.3

During the year no individual investment (a single security) exceeded 5% of the total value of the net assets. Four pooled holdings do 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:

- At 31 March 2014 the Legal and General UK Equity Index Fund held 622 (2013 597) stocks compared with the 622 (2013 598) stocks in the equity index that it tracks (FTSE all-share)
- The underlying holdings of the Fidelity Institutional Exempt America Fund comprised 181 stocks at 31 March 2014 (2013 268)
- The Goldman Sachs STAR Fund held 1,436 (2013 1,121) individual positions at 31 March 2014
- The Fidelity Institutional Europe Fund comprised 61 holdings at 31 March 2014 (2013 67)

The Legal &General investment is a unit linked contract of long term insurance ("the policy") issued by Legal & General Assurance (Pensions Management) Limited ("PMC"), to which units are allocated in the range of pooled investment funds operated as portfolios of assets ("PF Sections). The policy falls within Class II 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. The value of the units in a PF Section are directly linked to the assets legally and beneficially owned by PMC and held in that PF section and units may be surrendered and their value realised in accordance with the conditions applying to the Policy (including at PMC's discretion, by a transfer of assets in specie). The value is incorporated into the net asset statement within other managed funds. The underlying assets are predominantly quoted UK equities but may also include uninvested cash and futures.

Within the Reconciliation of the Movements in Investments, the following investments represented more than 5% of the asset class or type at 31 March 2014:

Holding/Investment Type	Market Value 31 March 2014 £000	Percentage of asset class %
Pooled investments		
Legal & General UK Equity Index Fund	243,409	20.44
Fidelity Institutional Exempt America Fund	162,719	13.67
Goldman Sachs Strategic Absolute Return Bond Fund	151,592	12.73
Fidelity Institutional Europe Fund	140,908	11.84
Henderson Long Dated Credit Fund	123,590	10.38
Fidelity Institutional Japan Fund	82,791	6.95
Pooled property investments		
Standard Life Pooled Property Fund	23,934	7.76
Aviva Investors Pensions Property Fund	23,263	7.54
Blackrock UK Property Fund	20,811	6.74
Threadneedle Property Unit Trust	20,735	6.72
Industrial Property Investment Fund	19,185	6.22
Standard Life Pooled Property Fund	18,027	5.84
Lothbury Property Trust	16,478	5.34
Ashtenne Industrial Property Fund	15,807	5.12
Private equity		
Harbourvest VIII Cayman Buyout Fund	42,532	22.61
Standard Life European Strategic Partners 2004	41,544	22.08
Standard Life European Strategic Partners 2006	31,358	16.67
Harbourvest VIII Cayman Venture Fund	25,151	13.37
Standard Life European Strategic Partners 2008	20,524	10.91
Harbourvest VII 2005 Cayman Buyout Fund	11,168	5.94
Direct Property		
Hamlin Way, King's Lynn	454	100.00
Derivatives - Futures		
June 2014 Long GILT Future	-167	57.43
June 2014 Medium GILT Future	-133	45.84

15c. Stock Lending

	31 March 2014 £000	31 March 2013 £000
Value of quoted equities on loan	67,793	53,605
Fair value of collateral held by Custodian	71,784	58,168
Collateral relative to stock on loan (percentage coverage)	106%	109%

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 (Northern Trust).

All loans are fully collateralised with government securities, bank letters of credit, certificates of deposit or UK equities settled in CREST. Northern Trust 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 £25m is applied.

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

Asset Type	Value on loan at 31 March 2014 £000	Value on loan at 31 March 2013 £000
UK Equities	22,138	21,667
Overseas Equities	37,037	22,559
Corporate Bonds	8,618	9,379

At 31 March 2014, securities were on loan to 15 separate borrowers representing 14 parent groups. The largest single parent exposure was 26% of the lending programme.

15d. Property Holdings

Year Ending 31 March 2013 £000		Year Ending 31 March 2014 £000
395	Opening balance	454
0	Additions	0
0	Disposals	0
59	Net increase in market value	0
0	Other changes in fair value	0
454	**Closing balance**	**454**

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.

16. Financial Instruments

16a. Financial Instruments – Classification

31-Mar-13 Designated as fair value through profit and loss £000	31-Mar-13 Loans and receivables £000	31-Mar-13 Financial liabilities at amortised cost £000		31-Mar-14 Designated as fair value through profit and loss £000	31-Mar-14 Loans and receivables £000	31-Mar-14 Financial liabilities at amortised cost £000
			Financial assets			
119,061			Fixed Interest Securities	122,677		
744,493			Equities	793,786		
1,109,477			Pooled Investments	1,190,572		
276,139			Pooled Property	308,550		
181,608			Private equity	188,146		
1,537			Derivative contracts	6,770		
	44,837		Cash		42,412	
9,354			Other investment balances	11,076		
	145		Debtors		82	
2,441,669	**44,982**	**0**		**2,621,577**	**42,494**	**0**
			Financial liabilities			
-8,805			Derivative contracts	-2,046		
		-3,956	Creditors			-5,462
-8,675			Other Investment Balances	-4,422		
-17,480	**0**	**-3,956**		**-6,468**	**0**	**-5,462**
2,424,189	**44,982**	**-3,956**		**2,615,109**	**42,494**	**-5,462**

16b. Net Gains and Losses on Financial Instruments

31 March 13 £000		31 March 14 £000
	Financial assets	
310,738	Fair value through profit and loss	241,987
0	Loans and receivables	0
0	Financial liabilities measured at amortised cost	0
	Financial liabilities	
-78,118	Fair value through profit and loss	-91,062
0	Loans and receivables	0
0	Financial liabilities measured at amortised cost	0
232,620	**Total**	**150,925**

Reconciliation of Change in market value during the year shown at note 15 a

59	Assets that are not Financial Instruments - Directly Held Property change in Market Value	**0**
232,679		**150,925**

16c. Fair Value of Financial Instruments and Liabilities

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.

16d. Valuation of Financial Instruments Carried at Fair Value

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 hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

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

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:

Values at 31 March 2014	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets				
Financial assets at fair value through profit and loss	2,124,882	0	496,695	2,621,577
Loans and receivables	42,494	0	0	42,494
Total financial assets	**2,167,376**	**0**	**496,695**	**2,664,071**
Financial liabilities				
Fair value through profit and loss	-6,468	0	0	-6,468
Financial liabilities at amortised cost	-5,462	0	0	-5,462
Total financial liabilities	**-11,930**	**0**	**0**	**-11,930**
Net financial assets	**2,155,446**	**0**	**496,695**	**2,652,141**

Values at 31 March 2013	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	1,983,922	0	457,747	2,441,669
Loans and receivables	44,982	0	0	44,982
Total financial assets	**2,028,904**	**0**	**457,747**	**2,486,651**
Financial liabilities				
Fair value through profit and loss	-17,480	0	0	-17,480
Financial liabilities at amortised cost	-3,956	0	0	-3,956
Total financial liabilities	**-21,436**	**0**	**0**	**-21,436**
Net financial assets	**2,007,468**	**0**	**457,747**	**2,465,215**

17. Nature and Extent of Risks Arising From Financial Instruments

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. 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.

a. Market risk

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

The 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 2014-15 reporting period:

Asset Type	Potential Market Movements (+/-) %
UK Bonds including pooled	5.47
Overseas Bonds including pooled	3.53
UK Equities including pooled	12.66
Overseas Equities including pooled	11.81
Index Linked Gilts including pooled	8.89
Property Investments (pooled and direct)	3.01
Private Equity	7.59
Cash and Cash Equivalents (Including Payables and Receivables)	0.02
Total	**7.18***

* The total % includes the impact of correlation across asset classes at an aggregate level.

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 2014 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash and Cash Equivalents including payables and receivables	45,849	0.02	45,858	45,840
Investment Portfolio Assets:				
UK Equities including pooled	525,520	12.66	592,051	458,989
Overseas Equities including pooled	1,031,346	11.81	1,153,148	909,544
UK Bonds including pooled	128,920	5.47	135,972	121,868
Overseas Bonds including pooled	365,681	3.53	378,590	352,772
Index Linked Gilts including pooled	55,278	8.89	60,192	50,364
Pooled & Direct Property Investments	309,004	3.01	318,305	299,703
Private Equity Partnerships	188,146	7.59	202,426	173,866
Total Assets Available to Pay Benefits	**2,649,744**	**7.18**	**2,839,996***	**2,459,492***

Asset Type	Value as at 31 March 2013 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash and Cash Equivalents including payables and receivables	28,437	0.02	28,443	28,432
Investment Portfolio Assets:				
UK Equities including pooled	508,247	13.09	574,776	441,717
Overseas Equities including pooled	982,978	12.96	1,110,372	855,584
UK Bonds including pooled	113,818	6.20	120,874	106,761
Overseas Bonds including pooled	318,221	4.38	332,159	304,283
Index Linked Gilts including pooled	48,128	8.28	52,113	44,143
Pooled & Direct Property Investments	276,592	2.72	284,116	269,069
Private Equity Partnerships	181,608	9.24	198,389	164,827
Total Assets Available to Pay Benefits	**2,458,029**	**7.66%**	**2,646,314***	**2,269,744***

* The % change for Total Assets includes the impact of correlation across asset classes, which lowers the total increase and increases the total decrease at an aggregate level.

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 2014 and 31 March 2013 is set out below. These disclosures present interest rate risk based on the underlying financial assets:

Asset Type	Value as at 31 March 2014 £000	Value as at 31 March 2013 £000
Investment Cash Balances	40,844	40,376
Cash in hand	1,568	4,461
Total	42,412	44,837

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	Carrying Amount as at 31 March 2014	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
	£000	£000	£000
Investment Cash Balances	40,844	408	-408
Cash in hand	1,568	16	-16
	42,412	**424**	**-424**

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 over 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 2.99% 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 2.99% 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 2014 £000	Change to net assets available to pay benefits +2.99 % £000	-2.99 % £000
Overseas Equities (including pooled equity funds where underlying assets are non-Sterling denominated)	1,028,977	30,766	-30,766
Private Equity	188,146	5,626	-5,626
Change in net assets available to pay benefits		**36,392**	**-36,392**

b) Credit risk

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

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

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) 31st March 2014	Balances at 31 March 2014 £000	Short term Rating (S&P) 31st March 2013	Balances at 31 March 2013 £000
Debt Management Office				
Bank Deposit Accounts				
Barclays Bank PLC	A-1	789	A-1	2,127
HSBC	A-1+	789		
Lloyds TSB			A-1	2,127
Bank Current Accounts				
Co-op Bank	Not rated by S&P – Fitch B	11	Not rated by S&P – Fitch F2	50
Total		**1,589**		**4,304**

The majority of investment cash within the custody system (Northern Trust) is swept overnight to the AAA rated money market funds of the custodian and one other provider (Deutsche). The credit exposure on investment cash balances at 31 March 2014 comprise £37.7 million (£36.4 million) deposited with AAA rated money market funds, £1.6 million (£0.9 million) deposited direct with the custodian Northern Trust Company (rated A-1+), £1.6 million (£3.1 million) posted to a variation margin account held by Barclays Bank (rated A-1).

c. Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The 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 2014 (2013 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 2014 £000	Percentage of Total Fund Assets %	Balances at 31 March 2013 £000	Percentage of Total Fund Assets %
497,150	18.8	458,201	18.6

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 2014 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.

18. Funding Arrangements

In line with the Local Government Pension Scheme (Administration) Regulations 2008, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2013.

The 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, 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.

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.

	Funded %	Deficit £ millions
2013 actuarial valuation	78%	705
2010 actuarial valuation	80%	486

The common contribution rate is 29.6% of payroll (2010 22.4%). The employer contribution rates payable (plus cash sums as applicable) arising from the 2013 Valuation are as follows:

Year	Employers Contribution Rates (% of actual pensionable pay)
1 April 2014 to 31 March 2015	Range from nil to 28.6
1 April 2015 to 31 March 2016	Range from nil to 28.6
1 April 2016 to 31 March 2017	Range from nil to 28.6

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

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 2013

Investment Return (discount rate)	% per annum Nominal	% per annum Real
Discount Rate	4.60	2.10
Salary Increases	3.30	0.80
Price Inflation/Pension Increases	2.50	0

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_2010 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	24.3 years
Future Pensioners (current age 45)	24.5 years	26.9 years

The assumptions have changed since the previous IAS26 disclosure for the Fund in accordance with those used for the recently completed 2013 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.

19. 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 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/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 18).

	31 March 2014 £000	31 March 2013 £000
Actuarial present value of promised retirement benefits	3,729,000	3,563,000

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

Assumptions Used	31 March 2014 %	31 March 2013 %
Inflation/Pension Increase Rate Assumption	2.80	2.80
Salary Increase Rate	3.60	5.10*
Discount Rate	4.30	4.50

*Salary increases are assumed to be 1% p.a. until 31 March 2015 reverting to the long term assumption shown thereafter.

20. Current Assets

31 March 2013 £000		31 March 2014 £000
	Cash In Hand	
4,461	Cash In Hand**	1,568
	Debtors:	
2,097	Contributions due - employees*	2,175
6,462	Contributions due - employers*	6,586
24	Employers special contributions	0
1,104	Augmentation & strain due	885
5,772	Dividends receivable**	5,335
1,190	Pooled funds rebate due**	1,302
225	UK tax receivable	172
662	Overseas tax receivable	688
216	VAT refund due	182
15	Interest due**	9
13	Stock lending/commission recapture**	17
130	Recharge of fees**	64
3	Prepayments	5
15	Sundry **	18
17,928	**Debtors**	**17,438**
22,389	**Current Assets**	**19,006**

*Principally represents amounts due in respect of March payrolls but payable the following month

**Cash and Debtors classed as financial instruments (assets) note 16a

31 March 2013 £000		31 March 2014 £000
	Long term debtors:	
8,742	Employer contributions	9,071
6	Augmentation & strain due	11
8,748		**9,082**

Long term debtors comprises 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 2013 £000		31 March 2014 £000
9,608	Central government bodies	9,866
6,597	Other local authorities	6,389
0	NHS Bodies	18
10,471	Other entities and individuals	10,247
26,676		**26,520**

21. Current Liabilities

31 March 2013 £000		31 March 2014 £000
	Creditors:	
28	Transfer values payable (leavers)	0
1,104	Benefits payable	1,292
2,149	Investment Management Fees**	3,451
1,804	Other Fees & Charges**	2,000
863	UK Taxation payable	931
3	Sundry creditors**	11
5,951		**7,685**

**Creditors classed as financial instruments (liabilities) note 16a

Analysis of Creditors

31 March 2013 £000		31 March 2014 £000
865	Central government bodies	939
1,721	Other local authorities	1,869
3,365	Other entities and individuals	4,877
5,951		**7,685**

22. 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 2013 £000		Market Value 31 March 2014 £000
4,874	Separately Invested AVC Funds	5,040

2012-13 £000		2013-14 £000
311	AVC contributions paid directly during the year	352

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

	2012-13 £000	2013-14 £000
Norfolk County Council incurred administration and Investments costs reimbursed by the Fund	1,721	1,869
Norfolk County Council Employer Contributions	36,388	36,819

All monies owing to and due from the Fund were paid within statutory timescales.

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.

	2012-13 £000	2013-14 £000
Average investment balance held by NCC Treasury Management Operation	7,692	5,957
Interest earned on balances invested by NCC Treasury Management Operation	67	38

Governance

Each member of the Pension Fund Committee is required to declare their interests at each meeting. These are recorded as part of the public record of each meeting.

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.

The Administering Authority (Norfolk County Council) disclosure of senior officer remuneration includes the Head of Finance 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 following table sets out the senior officer remuneration disclosure. 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

Figures in the table have been rounded to the nearest hundred pounds.

Position & Postholder		Salary	Expenses Allowances	Compensation for loss of office	Sub Total	Employer Pension contributions	Total
Head of Finance	2013-14	£62,300	0	0	**£62,300**	£9,200	**£71,500**
(P Brittain)*	2012-13	£116,000	£400	0	**£116,400**	£18,000	**£134,400**
Interim Head of Finance (P Timmins)*	2013-14	£95,400	0	0	**£95,400**	n/a	**£95,400**

* Paul Brittain was the Head of Finance until 30 September 2013 when the post was filled by the appointment of an Interim Head of Finance.

24. Contractual Commitments

Outstanding Capital Commitments	31 March 2013 £000	31 March 2014 £000
Private equity partnerships	79,919	88,330
Property investment vehicles	8,058	9,150

At 31 March 2014 the Fund had made contractual commitments to private equity funds managed by SL Capital 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 2014 is included in the net asset statement.

In addition to the private equity commitments, within the Aviva property portfolio there are unfunded commitments to various property investment vehicles. This total includes Sterling, Euro and US Dollar denominated commitments to four (three in 2012-13) underlying funds. The foreign exchange exposure on the funded portion of these positions is hedged within the Aviva portfolio but the unfunded commitments are impacted by exchange rate volatility.

25. Contingent Assets

The Administering Authority holds charges on property, relating to funding agreements put in place with three employers following the 2010 Valuation. These agreements allow the employers to extend their deficit recovery periods and therefore reduce the contributions immediately payable in return for providing additional security to the Fund. In the event that the employers that are party to these agreements fail to pay contributions due to the Fund at any point in the future these charges may be invoked. The total charges on two properties are £2.233 million (£2.232 million). There are no new agreements resulting from the 2013 Valuation.

Appendices

Appendix I – Participating Employers

(Employers with active members during the year)

Major Scheduled Bodies

- Borough Council of King’s Lynn & West Norfolk
- Breckland Council
- Broadland District Council
- Great Yarmouth Borough Council
- Norfolk and Suffolk Probation Trust
- Norfolk County Council
- Norfolk Police and Crime Commissioner
- North Norfolk District Council
- Norwich City Council
- South Norfolk District Council

Scheduled and Resolution Bodies

- Acle Academy
- Acle Parish Council
- Admirals Academy
- Arden Grove Infant and Nursery Academy
- Attleborough High School Academy
- Attleborough Town Council
- Aylmerton Parish Council
- Aylsham Town Council
- Beighton Parish Council
- Belton with Browston Parish Council
- Blofield Parish Council
- Bradwell Parish Council
- Broads (2006) Internal Drainage Board
- Broads Authority
- Brundall Parish Council
- Buxton With Lamas Parish Council
- Cawston Parish Council
- City Academy Norwich
- City College Norwich
- Cliff Park Ormiston Academy
- Cliff Park Schools Trust Ltd
- College of West Anglia
- Costessey Infant School (Academy)
- Costessey Junior School (Academy)
- Costessey Parish Council
- Cringleford Parish Council
- Cromer Academy Trust
- Cromer Town Council
- Dereham Town Council
- Dersingham Parish Council
- Diamond Academy
- Diss High School (Academy)
- Diss Town Council
- Ditchingham Church of England Primary Academy
- Downham & Stow Bardolph Internal Drainage Board
- Downham Market Academy
- Downham Market Town Council
- East Norfolk Sixth Form College
- East of Ouse, Polver & Nar Internal Drainage Board
- Eastern Inshore Fisheries and Conservation Authority
- Easton and Otley College
- Eaton Hall Specialist Academy

- Fakenham Academy Norfolk
- Fakenham Town Council
- Flegg High School
- Framingham Earl Parish Council
- Great Yarmouth College of Further Education
- Great Yarmouth Primary Academy
- GYB Services Ltd
- Hales & Heckingham Parish Council
- Harling Parish Council
- Heartsease Primary Academy
- Hellesdon High School Academy
- Hellesdon Parish Council
- Hemblington Parish Council
- Hethersett Academy
- Hindolveston Parish Council
- Hobart High School Academy
- Holt Town Council
- Hunstanton Town Council
- Iceni Academy
- Inspiration Trust
- Kettlestone Parish Council
- King's Lynn Academy
- King's Lynn Internal Drainage Board
- Little Snoring Parish Council
- Loddon Parish Council
- Lynn Grove High School (Academy)
- Martham Parish Council
- Martham School Trust
- Mattishall Parish Council
- Moorlands Church of England Primary Academy
- Mundesley Parish Council
- NCS (Assistive Technology)
- NCS Transport Ltd
- Nelson Academy
- Norfolk Educational Services (NES)
- Norfolk Rivers Internal Drainage Board
- Norse Care Limited
- Norse Care Services
- Norse Commercial Services
- Norse Eastern
- North Walsham Town Council
- Northrepps Parish Council
- Norwich Norse
- Norwich Primary Academy
- Norwich Road Academy
- Norwich University of the Arts
- Notre Dame High School Academy
- NPS Property Consultants Ltd
- NPS (London) Ltd
- NPS (Norwich) Ltd
- NPS (South East) Ltd
- NPS (South West) Ltd
- Old Catton Parish Council
- Open Academy - Heartsease
- Ormiston Herman Academy
- Ormiston Venture Academy
- Ormiston Victory Academy
- Paston College
- Poringland Parish Council
- Redenhall with Harleston Town Council
- Reepham High School and College
- Saxlingham Nethergate Parish Council
- Sheringham High School (Academy)
- Sir Isaac Newton Free School
- Snettisham Parish Council
- South Wootton Parish Council
- Southery & District Internal Drainage Board
- Spixworth Parish Council
- Springwood High School Academy Trust
- Sprowston Town Council

- St Clements High School Academy
- St Mary's Church of England Junior School (Academy)
- Stalham Town Council
- Suffolk Coastal Services
- Swaffham Town Council
- Swanton Morley Parish Council
- Taverham High School
- Taverham Parish Council
- The Free School Norwich
- The Nicholas Hamond Academy
- Thetford Academy
- Thetford Free School
- Thetford Town Council
- Thorpe St. Andrew Town Council
- Trowse with Newton Parish Council
- Upton with Fishley Parish Council
- Wayland High School Academy
- Wells-Next-The-Sea Town Council
- Woodlands Primary Academy
- Wymondham Academy College
- Wymondham High Academy
- Wymondham Town Council

Admitted Bodies

- 4Children
- Action for Children (Dereham)
- Action for Children (Hethersett)
- Action for Children (Thorpe)
- Action for Children (Wells)
- Age UK Norfolk
- Anglia Maintenance Services
- Biffa Municipal Ltd
- Childhood First
- Circle Anglia Limited
- Edwards and Blake
- Edwards and Blake (Neatherd High)
- Flagship Housing Group
- Freebridge Community Housing Ltd
- Great Yarmouth Community Trust
- Great Yarmouth Port Authority
- Great Yarmouth Port Company
- Great Yarmouth Racecourse Ltd
- Gt Yarmouth Sport & Leisure Trust
- Independence Matters
- Kier Support Services
- May Gurney Limited
- Mid Norfolk Citizens Advice Bureau
- New Anglia Enterprise Council Partnership (Local Enterprise Partnership)
- Norfolk and Suffolk NHSFT
- Norfolk Association of Local Councils
- Norfolk Heritage Fleet Trust
- Norwich Airport Limited
- Pre-School Learning Alliance Hunstanton
- Pre-School Learning Alliance Milestones
- Pre-School Learning Alliance Thorpe
- RM Education
- Saffron Housing Trust Limited
- Serco Government Services
- Stonham
- The Matthew Project
- Victory Housing Trust

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/

Statement of Investment Principles and Funding Strategy Statement

The Norfolk Pension Fund has a published Statement of Investment Principles including details of our compliance with recognised good investment practices and a Funding Strategy Statement which is a summary of the Fund’s approach to funding liabilities.

Both documents can be found on the Internet at the following location under the “Investment” and “Funding” sections:

http://www.norfolkpensionfund.org/AboutUs/Pages/Formsandpublications.aspx

Alternatively a copy can be obtained from the Norfolk Pension Fund:

Norfolk Pension Fund
Floor 4 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 173 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 Head of Finance, 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 Head of Finance also decides matters relating to policy on benefits.

Appendix IV – Governance Compliance Statement

The Norfolk Pension Fund Governance Compliance Statement as at August 2014
Local Government Pension Scheme (Administration) Regulations 2008 (as amended)
Regulation 31

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).

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.

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 Members also attend Employer Forum meetings.

Principle B – Representation

	Not compliant*				Fully compliant
a.i					√
.ii					√
.iii					√
.iiii					√

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.

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.

iii Independent professional observers
Hymans Robertson, as Advisers to the Norfolk Pension Fund, attend Committee.

iv Expert advisors (on an ad-hoc basis)
Expert advisors are invited to attend committee 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 members are briefed on appointment to Pensions Committee 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 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.

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. In addition, the Fund maintains a training budget for elected members for the delivery of our ongoing 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.
We give the same allowances to other individuals / bodies where necessary, for example the Staff Representative.

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 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. Member training is supplemented by attending LGE and other associated events, as well as an annual comprehensive 2 day bespoke Knowledge and Understanding event, talking to leading experts about all aspects of LGPS Investment and Governance and current issues, e.g. in 2012 and 2013 this included meeting the Funds Actuary, Hymans Robertson, to discuss the outlook for the 2013 valuation; Nomura to discuss transition management; Fidelity regarding corporate governance and stakeholder responsibilities;

Goldman Sachs to discuss 'excellence in pensions'; Hendersons for an overview of fixed interest investing; and DCLG to discuss LGPS 2014 and other 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.

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. Also an Observer Seat at Committee is available to Employers not directly represented, and Employers are reminded of this at Forums and via other publications. In addition, regular Employers' Forums, an Annual Meeting for all scheme members (including Deferreds) and Retired Members annual events are held.

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 members have equal access to committee papers, documents and advice. Minutes of Committee Meetings are published on Norfolk County Councils website www.norfolk.gov.uk .

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.

Appendix V – Actuarial Statement for 2013-14 by Hymans Robertson LLP

This statement has been prepared in accordance with Regulation 34(1)(d) of the Local Government Pension Scheme (Administration) Regulations 2008, and Chapter 6 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2013-14.

Description of Funding Policy

The funding policy is set out in the administering authority's Funding Strategy Statement (FSS), dated 31 March 2014. 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 (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.

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 below the theoretical rate required to return their portion of the Fund to full funding over the deficit recovery period if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrates 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 the deficit recovery period.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2013. This valuation revealed that the Fund's assets, which at 31 March 2013 were valued at £2,484 million, were sufficient to meet 78% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2013 valuation was £705 million.

Individual employers’ contributions for the period 1 April 2014 to 31 March 2017 were set in accordance with the Fund’s funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the valuation report dated 31 March 2014.

Method

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

Assumptions

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

The key financial assumptions adopted for the 2013 valuation were as follows:

Financial assumptions	31 March 2013	
	% p.a. Nominal	% p.a. Real
Discount rate	4.60%	2.10%
Pay increases	3.30%	0.80%
Price inflation/Pension increases	2.50%	-

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund’s VitaCurves with improvements in line with the CMI_2010 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.1 years	24.3 years
Future Pensioners*	24.5 years	26.9 years

*Currently aged 45

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

Experience over the period since April 2013

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

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

Richard Warden FFA

Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP
16 May 2014

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 either 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.

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.

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.