Norfolk Pension Fund

Annual Report and Accounts 2014-15

PROFESSIONAL PENSIONS PENSION SCHEME OF THE YEAR AWARDS 2015 FINALIST

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Contents

Foreword from the Chairman of the Pensions Committee, Councillor Steve Morphew 4
Introduction from the Head of the Norfolk Pension Fund, Nicola Mark 5
Contact Us 7
Management Structure 8
The Local Government Pension Scheme 9
Governance 10
Scheme Administration 14
Risk management 20
Myners Compliance 20
Communications 21
Financial Performance 22
Investment Policy and Performance 22
National representation and involvement 29
2014-15 Statement of Accounts 30
Statement of Responsibilities 31
Independent Auditor's Report 32
Revenue and Fund Account 34
Net Assets Statement 35
Notes to the Accounts 36

1. Description of Fund 36
2. Basis of Preparation 41
3. Summary of Significant Accounting Policies 42
4. Critical Judgements in Applying Accounting Policies 48
5. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty 49
6. Events after the Net Asset Statement Date 50
7. Contributions Receivable 50
8. Transfers In From Other Pension Funds 52
9. Benefits Payable 53
10. Payments To and On Account of Leavers 54
11. Management Expenses 54

12. Investment Income ... 55
13. Taxes on Income ... 56
14. Investment Expenses ... 56
15. Investments ... 57
16. Financial Instruments ... 70
17. Nature and Extent of Risks Arising From Financial Instruments ... 73
18. Funding Arrangements ... 81
19. Actuarial Present Value of Promised Retirement Benefits ... 83
20. Current Assets ... 85
21. Current Liabilities ... 87
22. Additional Voluntary Contributions ... 88
23. Related Party Transactions ... 88
24. Contractual Commitments ... 90
25. Contingent Assets ... 91
Appendices ... 92
Appendix I – Participating Employers ... 92
Appendix II – Disclosure Regulations ... 96
Appendix III – The Fund ... 97
Appendix IV – Governance Compliance Statement ... 98
Appendix V – Actuarial Statement for 2014-15 by Hymans Robertson LLP ... 103
Appendix VI – Glossary ... 106

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 once again pleased to introduce the 2015 Annual Report and Statement of Accounts.

I said last year that 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. I stand by this again this year.

The baton passed to us, and that we in time will pass on, is to ensure that those 78,000 people who are members of our scheme and their 233 employers who participate in the Norfolk Pension Fund can have confidence that we are managing the scheme effectively and efficiently on their behalf; that they can rely on us to support them in their decision making about the LGPS; and as a result our members and future members – many of whom are relatively low paid and part time – have a stable income in retirement, linked to inflation.

So good governance should be at the heart of any pension fund. Quite rightly therefore the government is shining a greater light on governance across all public sector schemes. We welcome this.

The National Scheme Advisory Board has published its second aggregated annual report and is developing a suite of LGPS pension fund 'health' indicators. This evidential approach will enable us to more effectively benchmark the overall health of the scheme relative to other large public or private pension schemes.

Locally we have established our Pensions Oversight Board, as required by the Public Service Pensions Act 2013. We look forward to working closely with our new local pension board – made up of scheme member and employer representatives – who are charged with assisting us to ensure that we continue to manage the scheme well on your behalf. The introduction of the Pension Regulators new Code of Practice for Public Sector Schemes will also help ensure consistency across the sector.

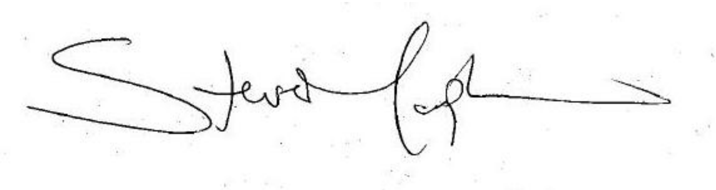
Unusually within the public sector, the LGPS is a funded scheme. Over the last year, the Norfolk Pension Funds' assets have increased by nearly £300, while paying pension benefits to our members of £120m; primarily into the local economy where most of our members live. Our investments returned 13% over the last year and performance is ahead of our benchmark over the last three and five year time periods.

The Norfolk Pension Fund's Councillors and Officers continue to proactively contribute to the national reform debate, with the purpose of securing an affordable, viable scheme for the future.

May I once again take this opportunity to record my sincere thanks to both my colleagues on Pension Committee and our advisors for their commitment and support over the last year, and of course to our employers and the Norfolk Pension Fund team.

Lastly, I would like to congratulate Nicola Mark, Head of the Fund, who as well as being named as the Local Government Chronicle Finance Officer of the Year for 2014, was awarded an MBE for services to local government in The Queen's New Year's Honours list.

We are fortunate in Norfolk to have a combination of experience, expertise and commitment to help steer the LGPS and the Fund and its stakeholders through these challenging times.



Steve Morphew
Chairman of the Pensions Committee

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

Each year when I sit down to write this I look back and think, phew, what a year – and this year has been no different, and already the year ahead is shaping up to be no less challenging!

Within the last year within the LGPS we've seen the implementation of the new career average scheme and the introduction of the National Scheme Advisory Board and Local Pension Boards. Across the public sector we have a new Regulator and Code of Practice and of course more widely we have seen radical reform of pensions with the Governments Freedom and Choice agenda and changes to the State Pension.

Reform continues, with the on-going challenges of securing affordability and efficiency within the LGPS. In partnership with colleagues in many other Funds, the Norfolk Pension Fund has been and continues to be committed to working collaboratively to secure maximum advantage for our own Fund and the wider LGPS, through the National LGPS

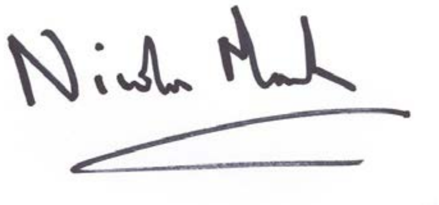
Frameworks project and other strong initiatives. We are locally and nationally committed and accountable.

So as administrators we have to work hard to keep on top of things, but so do our employers and scheme members! Supporting all our stakeholders to make timely and well informed decisions has never been more important.

So what keeps us going through all this? For me it is knowing the difference that a good pension scheme, like the LGPS, makes to people, sometimes when they are at their most vulnerable. Forget the old headline about gold plated pensions. We know the average pension paid in the LGPS is around £5000 per year, and this regular income can and does makes a huge difference to our retired members and dependants.

Pensions are a long term, shared responsibility between us as scheme administrators and all our stakeholders. 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.



Nicola Mark, MBE
Head of the Norfolk Pension Fund

Contact Us

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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 helplines, 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:	Simon George, Executive Director of Finance (NCC)
Norfolk Pension Fund Officers:	Nicola Mark, Head of the Norfolk Pension Fund Glenn Cossey, Chief Investment Manager Alex Younger, Pension Fund Investment & Actuarial Services Manager Mark Alexander, Pensions Manager
Legal Advisors:	nplaw (Norfolk Public Law)
Fund Custodian:	Northern Trust (to 30 November 2014) HSBC (from 1 December 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 (to 2 August 2015) Barclays Bank (from 3 August 2015)
Fund Auditor:	EY
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 57 of The Local Government Pension Scheme Regulations 2013, all LGPS Funds are required to publish an Annual Report.

This document is the Annual Report of the Norfolk Pension Fund for 2014-15.

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 protected as 'Final Salary'. For more information visit www.norfolkpensionfund.org or www.lgps2014.org

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 **Executive Director 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 Regulations 2013 (as amended) Regulation 55.

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 Jason Law
	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 Executive Director of Finance)**	Simon George
	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 2014, this included meeting Hymans Robertson for an in-depth review of the Fund's Strategic Asset Allocation and a discussion about potential changes for the future. On day two there were sessions with the Department for Communities and Local Government on structural reform and governance, HarbourVest private equity investment, and Berenberg Bank on currency management and a view of the global economy.

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/committees under **Pensions Committee**.

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 2014-15 are detailed in the chart below:

Task	Target	Norfolk Results	Club Average
Letter detailing transfer-in quote	10 days	91.4%	89.5%
Letter detailing transfer-out quote	10 days	95.0%	87.9%
Process refund and issue payment voucher	5 days	96.4%	92.2%
Letter notifying **estimate** of retirement benefit	10 days	95.2%	90.5%
Letter notifying **actual** retirement benefit	5 days	99.5%	91.6%
Process and pay lump sum retirement grant	5 days	99.5%	92.9%
Letter acknowledging death of member	5 days	86.3%	93.8%
Letter notifying amount of dependant’s benefits	5 days	81.2%	85.8%
Calculate and notify deferred benefits	10 days	97.4%	74.5%

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?	LGPS 2014 Presentations Mar/Apr 2014	Pensions Clinics Oct/Nov 2014
Very satisfied	40%	90%
Satisfied	58%	10%
Neither satisfied or dissatisfied	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 2014-15 are detailed in the chart below:

	2010-11		2011-12		2012-13		2013-14		2014-15	
Staff turnover										
Joining	0	0.0%	1	4.2%	1	3.8%	2	7.0%	0	0.0%
Leaving	3	11.9%	3	12.7%	1	3.8%	0	0.0%	0	0.0%
Total staff (FTE)	25.3		23.7		26.5		28.5		28.5	
LGPS Admin Staff (FTE)	20.3		18.7		20		22		22	
Members per Staff (FTE)	3221		3613		3541		3405		3546	
Staff to member ratio	1:159		1:193		1:177		1:155		1:161	

(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.

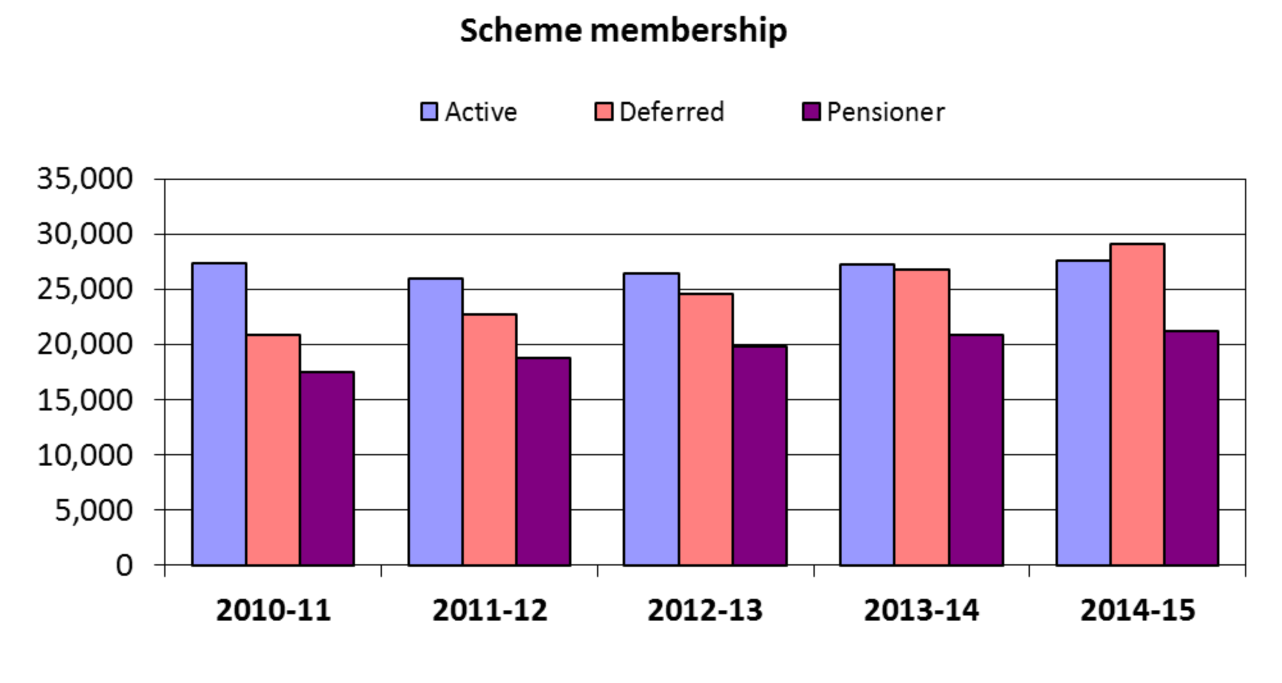
Internal Dispute Resolution Procedure

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 were no IDRPs logged against Norfolk Pension Fund during 2014-15.

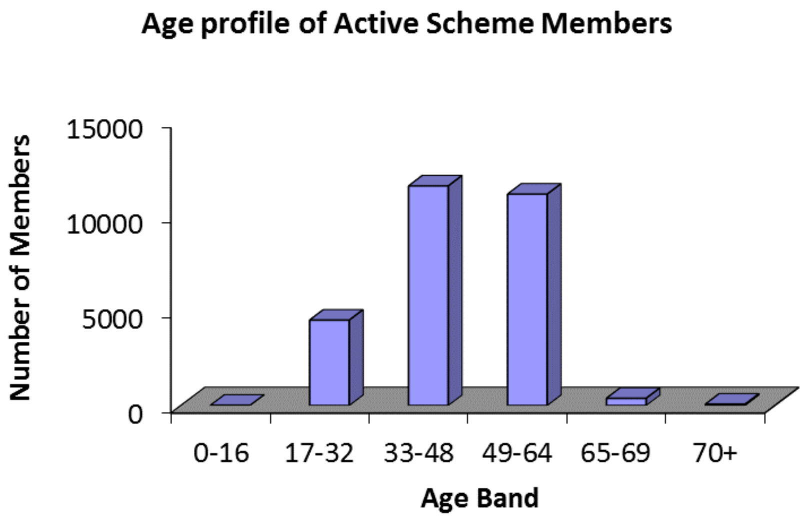
Analysis of membership



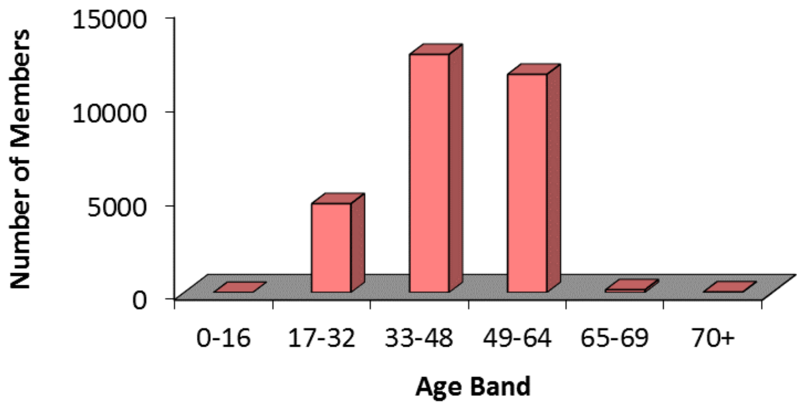
31 March	2010-11	2011-12	2012-13	2013-14	2014-15
Active	27,313	25,991	26,439	27,254	27,638
Deferred	20,909	22,773	24,535	26,776	29,125
Pensioner	17,563	18,796	19,851	20,887	21,247
Total	**65,785**	**67,560**	**70,825**	**74,907**	**78,010**

Age profile

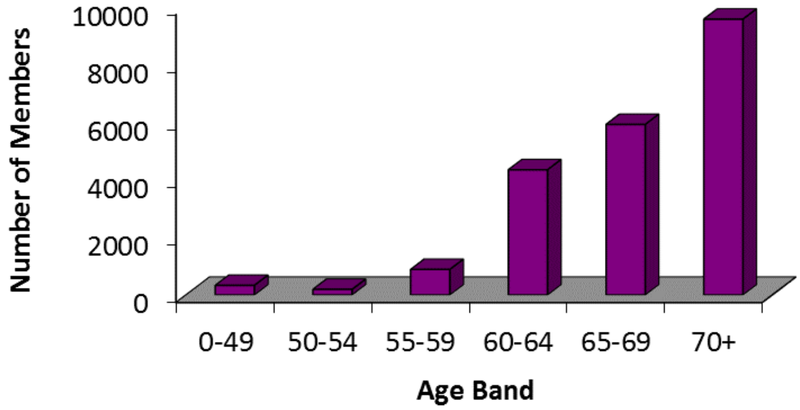
The following charts show the age profile of active, deferred and retired scheme members:



Age profile of Deferred Scheme Members



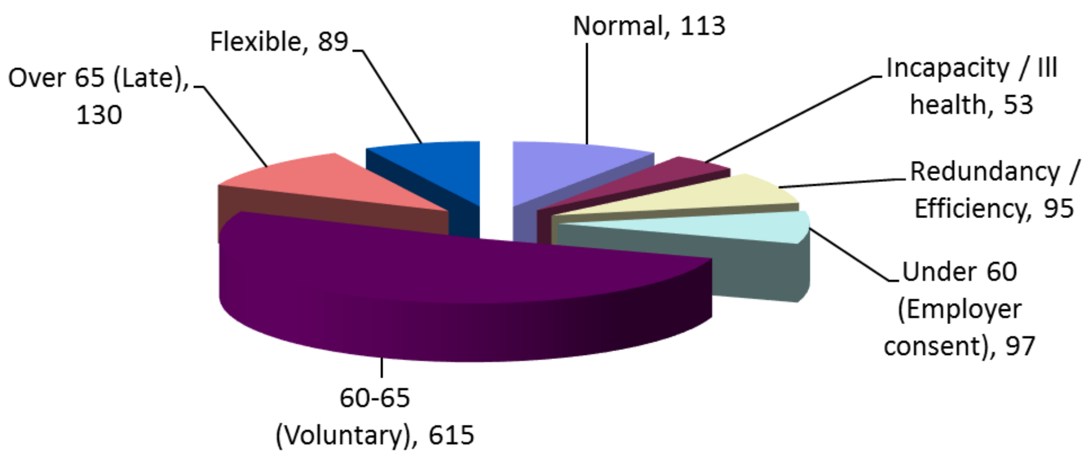
Age profile of Retired Scheme Members



Breakdown of retirements

1,192 scheme members retired in 2014-15, broken down as follows:

2014-15 Retirements by type



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 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 2014-15 are provided in the accounts section accompanying this report.

There were no notifiable late payments of contributions by scheme employers during 2014-15. All contributions outstanding at 31 March 2015 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 2014-15

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 2014-15 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 income, absolute return fixed income and multi-asset credit)
- Legal & General Investment Management (UK equities - passive)
- M&G (buy and hold – corporate bonds and absolute return fixed income)
- Sarasin & Partners (global equities)
- SL Capital Partners (Standard Life) (European focused private equity)
- Wellington (global equities)

On 1 December 2015 the Fund changed its global custodian from Northern Trust to HSBC.

During the last quarter of the financial year the Fund made a broad based reduction to its equity allocation and used the proceeds to fund new absolute return fixed income and multi-asset credit mandates with M&G and Henderson respectively.

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 HSBC (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 corporate bond assets managed by M&G will be moved to their absolute return fixed income strategy in the second half of the calendar year and the Fund is changing the Goldman Sachs absolute return fund to target a higher return.

2014-15 Investment Results

In absolute terms the Fund's investment assets have achieved a return of 13% over the 12 months to 31 March 2015, slightly behind the 12 month benchmark return. The return over the more meaningful three and five year time periods is ahead of benchmark after all fees and charges. The majority of the absolute performance occurred in the second half of the financial year, with a particularly strong final quarter.

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. The reduction in equity exposure in the last quarter of the financial year has reduced overall investment risk in the portfolio.

The performance on the individual fund managers was mixed over the last twelve months. Of the Fund's fixed interest managers M&G added value (exceeded benchmark performance) over the 12 months to 31 March 2014 but the returns achieved by GSAM and Henderson did not, albeit that the absolute return achieved by the Henderson mandate in particular was very strong.

The overseas equity mandate managed by Fidelity (the Fund's largest) performed particularly strongly in the period having enjoyed a very strong run in recent years. The UK equity mandate managed by Baillie Gifford and the global equity mandate managed by Wellington broadly matched their benchmark over the financial year. There was weaker one-year performance from Capital and particularly from Sarasin. The more recent performance of the Capital mandate in particular has bounced back strongly. The activities of both currency managers have added positively to the overall performance of the Fund.

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

The 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 in new positions, cash drag from monies awaiting investment and continued disappointing outcomes from some Continental European investments, as well as the wind down of some fixed term investments.

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 cash returns enjoyed by the Fund have been particularly strong this year as private equity managers have enjoyed a very strong environment to exit investments made at earlier points in the cycle.

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

% Return	2014-15 % per annum	3 Years % per annum	5 Years % per annum	10 Years % per annum	20 Years % per annum
Total Fund Return	13.0	11.3	8.7	7.5	7.9
Fund Benchmark Return	13.5	10.9	8.4	7.8	7.9

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 most recent triennial valuation of the Fund at 31 March 2013 was completed during 2013-14 in accordance with regulatory requirements.

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

The next Triennial Valuation will take place in 2016, with results available in the first quarter of 2017.

Investment Market Review to 31 March 2015

Review of Global Financial Markets

During the past 12 months, major investment markets generally delivered very good returns, with some regional equity indices reaching record highs and fixed interest and property markets also performing very strongly. Taking a longer term perspective, over the last three years attractive returns have been delivered across most of the major asset classes.

This positive backdrop was helped by growing investor confidence amid a generally supportive environment of rising corporate profits. Furthermore, signs of a general improvement in the global economic backdrop and continuing loose monetary policy in many developed countries also helped.

There were several political flashpoints around the world, including the Russian annexation of Crimea and while these situations have undoubtedly created uncertainty in terms of global security, most had a limited impact on global investment markets. In contrast, a sharp fall in the oil price and the resulting weakness in both oil-exporting countries and oil-related companies were of concern to investors and caused an increase in market volatility towards the end of 2014.

Oil exporters, such as Russia and Venezuela, have been the worst hit by the falling oil price, as they rely on their oil exports in order to run a balanced budget. However, the falling oil price was beneficial for some countries - particularly significant net oil importers such as Japan, China and India - and consumers more generally.

In the all-important US economy, despite occasional setbacks, confidence in the recovery there continued to grow. Unemployment fell from over 6% at the start of the period to around 5.5% at the end of March.

This more favourable backdrop prompted the US Federal Reserve to reduce and then halt its long-running bond-buying programme which it had begun in 2009. Good corporate results and the return of considerable amounts of cash to shareholders via share buyback programmes and dividend payments helped the US stock market to reach all-time highs over the last year.

Economic data in the UK also suggested an improving environment, with the revised GDP figure for 2014 above forecast. However, the UK stock market has a large weighting in oil-related industries, and poor performance in this sector served to dampen overall index returns. Despite this setback, the last twelve months has seen strong financial results from companies, which have been benefitting from the low interest rate environment, as well as sustained consumer spending levels.

Meanwhile, in Europe, deflation continues to plague even the largest Eurozone members. However, support grew for European markets as the European Central Bank (ECB) announced plans to increase its own programme of ‘quantitative easing’ or bond-buying (in contrast to the US situation noted above).

The ECB’s decision has served to weaken the euro and bring down bond yields. Whilst the longer term intent for these actions is to stave off further deflation and boost investor confidence. The European stock market finished the period strongly, although weakness in the euro diminished the benefit for sterling investors.

In Japan, the government moved to implement the third of prime minister Abe’s ‘three arrows’, aimed at structural reform and creating a backdrop for the fragile economic recovery to gather momentum. However, change was slower than many had hoped for and Abe called a snap election in a bid to secure a stronger mandate to enact his policies. He was returned to power with a substantial majority, giving him the authority to resume his economic plan at his chosen pace. As the world’s third largest economy, Japan’s success or failure in implementing structural reform could prove key in the revitalisation of the global economy.

The Bank of Japan surprised markets towards the end of last year when it expanded the already massive stimulus program, injecting a further 80 trillion yen into the economy through a spate of asset-buying activity. This programme has been successful at releasing Japan from its long period of deflation, although two quarters of economic contraction in the last year have undermined the ‘growth’ element of Abe’s economic plan. The equity market reacted well however, returning over 26% in sterling terms, leaving it as the top-performing major regional market.

The last year has seen Emerging Market countries diverge in terms of economic performance. Asian economies continue to lead the way when considering economic growth, with both domestic consumption and international demand continuing to drive growth in China, India, the Philippines and Indonesia. Meanwhile, behemoths Russia and Brazil have had a poor year, both for GDP growth and stock market returns.

Volatility in markets and some of the economic challenges noted earlier prompted periodic moves by investors into areas perceived as less risky and this led to a positive performance from bond markets. UK government bonds have benefitted from ongoing loose monetary policy, with the Bank of England hinting that interest rates are unlikely to rise this year. As such, UK government bonds (All Stocks) gained 14%, outperforming overseas government bonds which rose 8% in local currency terms. UK corporate bonds were also in demand among investors seeking to improve their returns in a low interest rate environment, and recorded a rise of 13%.

UK commercial property posted an exceptionally strong 18% rise following a similar return in the previous year, as the improving economic backdrop and increasingly buoyant investor sentiment towards the sector drove yields lower.

After the significant rise in values across most asset classes over the past year, and although the investment environment remains generally supportive, there will undoubtedly be periods of further volatility ahead. However, further growth in corporate profits, ongoing support from Central Banks and continued expansion in the global economy can aid further progress in the levels of global financial markets from here.

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

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.

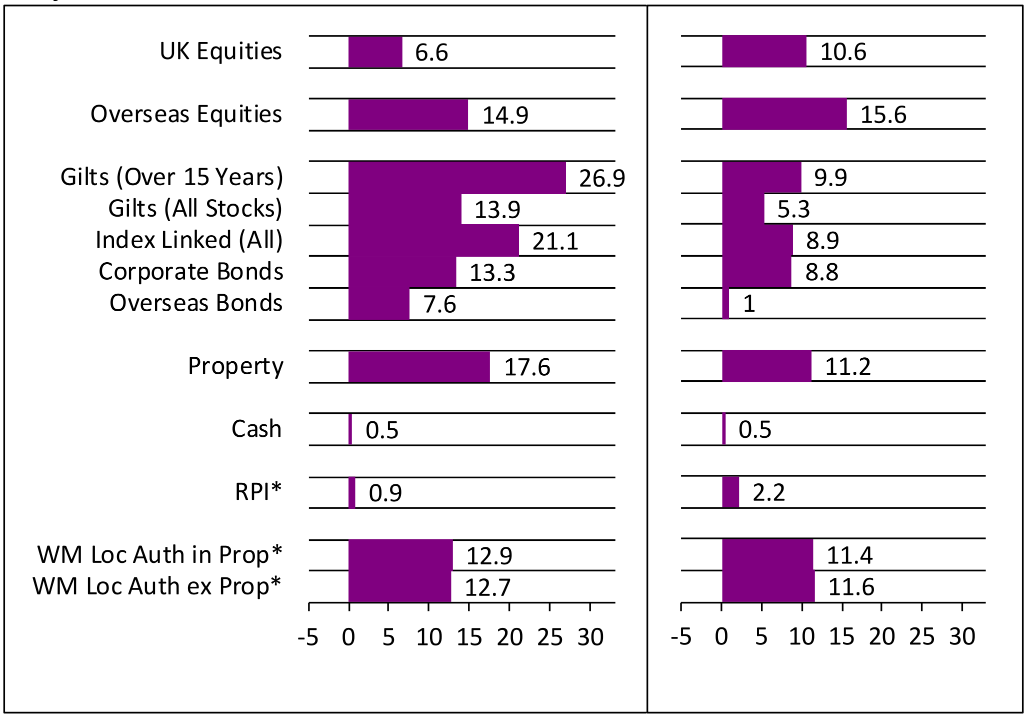
Statement of Investment Principles

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

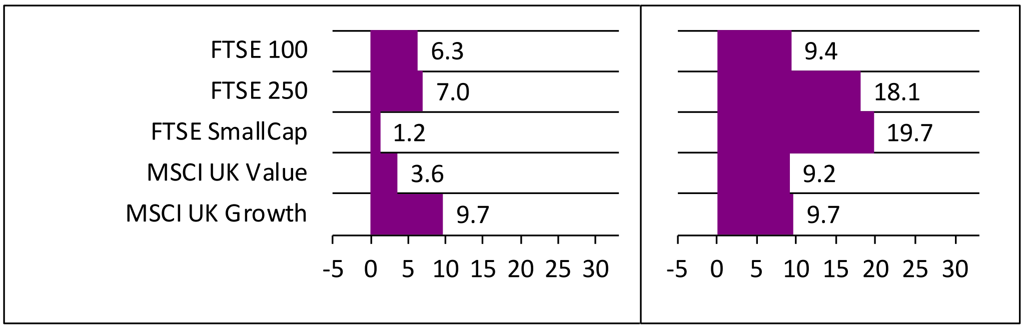
Historic Returns for World Markets

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

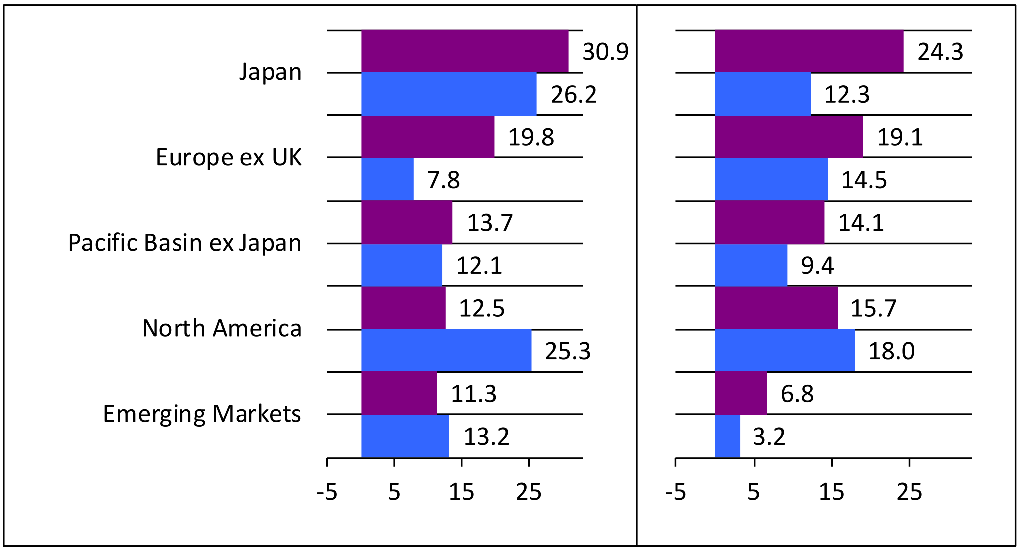
Major Classes



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

2014-15 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 Executive Director 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 Executive Director of Finance's Responsibilities

The Executive Director 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 Executive Director 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 Executive Director 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 Executive Director of Finance

I certify the statement of accounts set out on pages 34 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 2015.

Signed: ....

Simon George
Executive Director of Finance and Fund Administrator

Date: 30th September 2015

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 2015, 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 (as transitionally saved) 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 Executive Director of Finance and the auditor

As explained more fully in the Statement of the Executive Director of Finance Responsibilities set out on page 31, the Executive Director 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 2014/15.

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 2015 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Baldeep Singh
for and on behalf of Ernst & Young LLP, Appointed Auditor
Reading
30 September 2015

Revenue and Fund Account

For the Year Ended 31 March 2015

2013-14 £000		Notes	2014-15 £000
	Dealings with members, employers and others directly involved in the Fund		
114,170	Contributions	7	125,054
5,695	Transfers in from other pension funds	8	5,255
119,865			**130,309**
-118,397	Benefits	9	-121,841
-5,397	Payments to and on account of leavers	10	-87,683
-123,794			**-209,524**
-3,929	**Net additions/withdrawals from dealings with members**		**-79,215**
-16,110	**Management Expenses**	**11**	**-15,484**
	Returns on investments		
55,654	Investment income	12	57,820
-373	Taxes on income	13	-286
151,690	Profit and losses on disposal of investments and changes in the market value of investments	15a	315,888
206,971	**Net return on investments**		**373,422**
186,932	**Net increase/decrease in the net assets available for benefits during the year**		**278,723**
2,483,215	**Opening net assets of the scheme**		**2,670,147**
2,670,147	**Closing net assets of the scheme**		**2,948,870**

Net Assets Statement

As at 31 March 2015

2013-14 £000			Notes	2014-15 £000	
2,656,212		Investment assets	15	2,991,654	
-6,468		Investment liabilities	15	-61,280	
	2,649,744				**2,930,374**
9,082		Long term debtors	20	8,414	
	9,082				**8,414**
		Current Assets			
17,438		Debtors	20	15,739	
1,568		Cash in hand	20	1,787	
19,006				**17,526**	
		Current Liabilities			
-7,685		Creditors	21	-7,444	
-7,685				**-7,444**	
	11,321	**Net current assets**			**10,082**
	2,670,147	**Net assets of the Fund available to fund benefits at the period end**			**2,948,870**

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: ....

Simon George
Executive Director of Finance and Fund Administrator

Date: 30th September 2015

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 2014-15 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

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

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2009

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

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

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

	31 March 2014	31 March 2015
Number of Employers with Active Members	**181**	**233**
Number of Employees in Scheme		
Norfolk County Council	15,074	14,460
Other Employers	12,180	13,178
Total	**27,254**	**27,638**
Number of Pensioners		
Norfolk County Council	10,861	11,148
Other Employers	10,016	10,099
Total	**20,877**	**21,247**
Deferred Pensioners		
Norfolk County Council	16,522	17,882
Other Employers	10,254	11,243
Total	**26,776**	**29,125**

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 . Norfolk and Suffolk Probation Trust 2 . Mundesley Parish Council 3 . Holt Town Council 4 . May Gurney Limited 5 . Norfolk and Suffolk NHSFT	1. Alive Leisure Trust 2. Alive Management Ltd 3. All Saints Academy 4. Antingham & Southrepps Community Primary School 5. Caister Academy 6. Cherry Tree Academy Marham Junior 7. Cherry Tree Academy Trust Marham 8. Cherry Tree Academy, Marham Infant 9. City of Norwich School 10. Clenchwarton Primary School 11. Duchy of Lancaster Methwold Church of England Primary 12. Eastgate Academy 13. Eaton Primary School 14. Edith Cavell Academy 15. Edwards and Blake (Nicholas Hamond) 16. Filby Primary School 17. Flitcham Church of England Primary Academy 18. Great Snoring Parish Council 19. Great Yarmouth Norse 20. Hethel Innovation Ltd 21. Jane Austen College 22. King Edward VII Academy 23. Kirby Cane and Ellingham Parish Council 24. Lafarge Tarmac 25. Middleton Primary School 26. Norman C of England Primary School 27. Northgate High School 28. Peterhouse Primary School 29. Right for Success Academy Sponsorship Trust 30. Runcton Holme Church of England Primary School 31. Snettisham Primary School 32. St Martin at Shouldham Church of England Primary Academy 33. St Michael's Church of England Academy (King's Lynn) 34. St Peter & St Paul Carbroke Church of England Primary Academy 35. Stalham Academy 36. Stalham High School 37. Swaffham Church of England Junior School

Employers ceasing to have active employees in the Fund:	Employers joining the active section of the Fund:
	38. The Short Stay School for Norfolk 39. Tilney All Saints Voluntary Controlled Primary School 40. Tuckswood Academy and Nursery 41. University Technical College Norfolk 42. Village Green Children's Centre 43. Wayland Junior Academy Watton 44. Weeting VC Primary School 45. Wensum Junior School 46. West Lynn Primary 47. Whitefriars Church of England Primary Academy 48. Wormegay Church of England Primary School 49. Cobholm Primary Academy 50. Gillingham St Michael's Church of England Primary 51. Mundford Church of England Primary Academy 52. Nar & St Clement's Surestart Children's Centre 53. Norfolk Police and Crime Commissioner 54. Stradbroke Primary Academy 55. The Howard Junior Academy 56. Thomas Bullock Church of England Primary Academy 57. Village Green Nursery

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 2015, employee contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of actual pensionable pay.

Banding depends on a member's actual annual pay rate. The table below shows the bands for 2014-15 and 2015-16.

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%

Actual Pensionable Pay 2015-16	Contribution rate per year
Up to £13,600	5.5%
£13,601 to £21,200	5.8%
£21,201 to £34,400	6.5%
£34,401 to £43,500	6.8%
£43,501 to £60,700	8.5%
£60,701 to £86,000	9.9%
£86,001 to £101,200	10.5%
£101,201 to £151,800	11.4%
More than £151,800	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 last valuation at March 2013 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) were based on final pensionable pay and length of pensionable service. From 1st April 2014 the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th.

	Membership before April 2008	Membership April 2008 to March 2014	Membership from April 2014
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary	1/49 of pensionable pay in each year
Lump Sum	Automatic lump sum of 3 x salary	No automatic lump sum	No automatic lump sum
Additional Lump sum	Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up	Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up	A lump sum of £12 is paid for each £1 of pension given up

Benefits are index-linked in order to keep pace with inflation. In June 2010, the Government announced that the method of indexation would change from the retail prices index to the consumer prices index. This change took effect from 1 April 2011. The 2015 pensions increase is 1.2% (2.7% in 2014).

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

2. Basis of Preparation

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

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, 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.

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

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

b) Transfers to and from other schemes

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

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

Transfers in from members wishing to use proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

i) Interest income

Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

ii) Dividend income

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

iii) Distributions from pooled funds

Income distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iv) Property-related income

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

v) Movement in the net market value of investments

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

Fund Account - Expense Items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e) Taxation

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

f) Management expenses

i) Administrative expenses

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

ii) Oversight and Governance Costs

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

iii) Investment Management Expenses

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

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

Manager	Asset Class
Henderson Global Investors	Fixed Income
Fidelity	Overseas Equities
Baillie Gifford & Co	UK Equities
Capital International	Global Equities

	2013-14 £000	2014-15 £000
Performance-related fees	2,634	1,747

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

	2013-14 £000	2014-15 £000
Value of fees based on estimates	3,451	3,568

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

g) Financial assets

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

The values of investments as shown in the net assets statement have been determined 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. The direct property holding is valued every 3 years in line with the triennial valuation of the Fund. The direct property holding will next be re-valued on 31 March 2016.

h) 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.

i) 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.

j) Cash and cash equivalents

Cash comprises cash in hand and demand deposits as arising. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value. Cash and cash equivalents held with the global custodian (HSBC) are classified as cash deposits within other investment balances. Operational cash balances managed by the Administering Authority's treasury management operations are disclosed as cash in hand within current assets.

k) 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.

l) 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).

m) 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:

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

Accounting Standards issued but not yet adopted

n) The 2014-15 and 2015-16 Code of Practice on Local Authority Accounting lists a number of accounting standards that have been issued but not yet adopted. Of the standards listed, IFRS 13 Fair Value Measurement is the most relevant to the Fund. Having considered all the standards the Fund has determined there is no material impact on the accounts and no additional disclosure is required.

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	2014-15 £000
Value of unquoted private equity	188,146	193,353

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 £416 million. A 0.25% increase in the assumed earnings inflation would increase the value of liabilities by approximately £71 million, a 0.5% increase in the pension increase rate would increase the liability by approximately £311 million and a one-year increase in assumed life expectancy would increase the liability by approximately £134 million.

Item	Uncertainties	Effect if actual results differ from assumptions
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 £193.4 million. There is a risk that this investment may be under or overstated in the accounts.

6. Events after the Net Asset Statement Date

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

7. Contributions Receivable

By Category

2013-14 £000		2014-15 £000
84,045	Employers – normal	94,462
334	Employers – special	1,516
388	Employers – augmentation	0
2,682	Employers – strain	1,823
25,842	Members – normal	26,455
879	Members – purchase of additional scheme benefits	798
114,170		**125,054**

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

2013-14 £000		2014-15 £000
43,766	Deficit recovery contribution included in employers normal contributions	51,669
43,766		**51,669**

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

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

By Authority

2013-14 £000		2014-15 £000
50,490	Administering authority	51,465
41,882	Other scheduled bodies	45,197
5,529	Community admission bodies	8,561
1,614	Transferee admission bodies	2,892
14,655	Resolution bodies	16,939
114,170		**125,054**

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:

2013-14 £000		2014-15 £000
22	Strain instalments due after the Net Asset Statement date	8
22		**8**

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 2015.

8. Transfers In From Other Pension Funds

2013-14 £000		2014-15 £000
5,695	Individual transfers	5,255
5,695		**5,255**

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

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

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

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

2013-14 £000		2014-15 £000
8,823	HMCS total present value	7,698
8,823		**7,698**

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 £7.7 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

2013-14 £000		2014-15 £000
93,207	Pensions	96,794
23,089	Commutation and lump sum retirement benefits	24,040
2,101	Lump sum death benefits	1,007
118,397		**121,841**

By Authority

2013-14 £000		2014-15 £000
55,539	Administering authority	58,724
45,516	Other scheduled bodies	44,790
4,569	Community admission bodies	5,332
2,836	Transferee admission bodies	2,928
9,937	Resolution bodies	10,067
118,397		**121,841**

10. Payments To and On Account of Leavers

2013-14 £000		2014-15 £000
0	Group Transfers	82,097
17	Refunds to members leaving service	74
5,375	Individual transfers	5,512
5	Payment made under Regulation 74, 75 and 15(3) of the Local Government Pension Scheme (Administration) Regulations 2008	0
5,397		**87,683**

The 2014-15 Group Transfers figure represents the regulatory transfer of all active, deferred and pensioner members to the Greater Manchester Pension Fund.

11. Management Expenses

Pension fund management expenses for 2014-15 are accounted for in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

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

The comparator figures for 2013-14 have been restated to reflect the implementation of the CIPFA guidance. Consequently management expenses reported in the Revenue and Fund Account for 2013-14 have been increased by £0.765m to £16.110m and Profit and Loss on disposal of investments and changes in the market value of investments has similarly been increased by £0.765m to £151.690m to reflect the fees which had been deducted at source.

2013-14 £000		2014-15 £000
1,598	Administrative costs	1,754
14,013	Investment management expenses	13,208
499	Oversight and governance costs	522
16,110		**15,484**

The Local Government Pension Scheme Regulations enables administration expenses (including Oversight and Governance) to be charged to the Fund. Investment management expenses are analysed further in note 14.

12. Investment Income

2013-14 £000		2014-15 £000
7,448	Income from fixed interest securities	3,780
18,969	Equity dividends	20,011
11,231	Pooled Property investments	13,010
9,829	Pooled fund income - unit trusts and other managed funds	10,207
2,695	Private equity income	4,878
5,163	Pooled funds rebate	5,651
130	Stock lending	142
137	Interest on cash deposits	61
36	Property (note 12a)	36
16	Other	44
55,654		**57,820**

12a. Property Income

2013-14 £000		2014-15 £000
36	Rental income	36
-18	Direct operating expenses	0
18	**Net income**	**36**

13. Taxes on Income

2013-14 £000		2014-15 £000
325	Withholding tax - equities	268
48	Withholding tax – pooled investments	18
373		**286**

14. Investment Expenses

2013-14 £000		2014-15 £000
5,769	Management fees – invoiced ad valorem	6,348
2,635	Management fees – invoiced performance	1,747
1,481	Management expenses on unit trusts	1,215
3,188	Private Equity – fund of fund fees	3,111
18	Direct Property	0
120	Custody fees	120
37	Derivative commission fees	50
765	Transaction Costs	617
14,013		**13,208**

15. Investments

Market Value 31 March 2014 £000		Market Value 31 March 2015 £000
	Investment assets	
122,677	Fixed Interest Securities	123,987
793,786	Equities	821,867
1,190,572	Pooled Investments	1,306,655
308,550	Pooled property investments	339,470
188,146	Private equity Partnerships	193,353
454	Property	454
6,770	Derivatives - forward currency	5,630
40,844	Cash deposits	58,766
4,413	Amounts receivable for sales	54,472
0	Prepayment of Investment Balances	87,000
2,656,212	**Total investment assets**	**2,991,654**
	Investment liabilities	
-290	Derivatives – futures	-653
-1,756	Derivatives - forward currency	-3,060
-4,422	Amounts payable for purchases	-57,567
-6,468	**Total investment liabilities**	**-61,280**
2,649,744	**Net investment assets**	**2,930,374**

15a. Reconciliation of Movements in Investments and Derivatives 2014-15

	Market value 31 March 2014 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Market value 31 March 2015 £000
Fixed interest securities	**122,677**	14,486	-14,512	1,336	**123,987**
Equities	**793,786**	355,680	-427,425	99,826	**821,867**
Pooled investments	**1,190,572**	103,674	-137,984	150,393	**1,306,655**
Pooled property investments	**308,550**	39,612	-46,976	38,284	**339,470**
Private equity	**188,146**	28,107	-38,568	15,668	**193,353**
Property	**454**	0	0	0	**454**
	2,604,185	**541,559**	**-665,465**	**305,507**	**2,785,786**
Derivative contracts:					
- Futures	**-290**	5,876	0	-6,239	**-653**
- Forward currency contracts	**5,014**	156,717	-159,505	344	**2,570**
	4,724	**162,593**	**-159,505**	**-5,895**	**1,917**
Other investment balances:					
- Cash deposits	**40,844**			16,276	**58,766**
- Amount receivable for sales of investments	**4,413**				**54,472**
- Prepayment of investment Balances	**0**				**87,000**
- Amount payable for purchases of investments	**-4,422**				**-57,567**
Net investment assets	**2,649,744**			**315,888**	**2,930,374**

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**	280,485	-276,977	45,785	**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	**473,586**	**-409,642**	**109,009**	**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**			**151,690**	**2,649,744**

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 2014-15	£617,000
Transaction costs incurred during 2013-14	£765,000

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

31 March 2014 £000		31 March 2015 £000
	Fixed Interest Securities	
	UK	
73,710	Corporate quoted	74,273
	Overseas	
442	Public sector quoted	0
48,525	Corporate quoted	49,714
122,677		**123,987**
	Equities	
	UK	
271,726	Quoted	266,803
	Overseas	
522,060	Quoted	555,064
793,786		**821,867**
	Pooled Funds - additional analysis	
850,132	Unit trusts	961,374
243,409	Unitised insurance policies	235,131
97,031	Other managed funds	110,150
1,190,572		**1,306,655**
308,550	Pooled property investments	339,470
188,146	Private equity	193,353
454	Direct Property	454
497,150		**533,277**
2,604,185		**2,785,786**

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 2015 (2014 nil).

b) Forward foreign currency

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

The 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 2014 £000	Economic Exposure £000	Market Value 31 March 2015 £000
Assets					
UK fixed interest	Less than 1 year	-9,838	10	0	0
Total assets			**10**		**0**
Liabilities					
UK fixed interest	Less than 1 year	-81,028	-300	-91,185	-653
Total liabilities			**-300**		**-653**
Net futures			**-290**		**-653**

Included within cash balances is £1,782,000 (2014 £1,595,000) 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	£	8,547	AUD	-15,846	402	0
Up to one month	£	268,626	EUR	-364,399	4,876	0
Up to one month	£	112,959	JPY	-20,124,257	0	-136
Up to one month	£	317,270	$	-472,988	0	-1,394
Up to one month	EUR	62,590	£	-46,582	0	-1,280
Up to one month	JPY	8,193,205	£	-45,702	341	0
Up to one month	$	357,873	£	-241,358	0	-250
Between three and six months	£	2,707	EUR	-3,720	11	0
Open forward currency contacts at 31 March 2015					**5,630**	**-3,060**
Net forward currency contracts at 31 March 2015						**2,570**
Prior year comparative						
Open forward currency contacts at 31 March 2014					**6,770**	**-1,756**
Net forward currency contracts at 31 March 2014						**5,014**

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

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

15b. Investments Analysed by Fund Manager

Market Value 31 March 2014 £000	%		Market Value 31 March 2015 £000	%
473,082	17.85	Fidelity	551,627	18.81
318,194	12.01	Aviva Investors	359,862	12.28
275,899	10.41	Henderson Global Investors	311,410	10.63
275,520	10.40	Capital International Ltd	284,040	9.69
241,021	9.10	Baillie Gifford & Co	237,622	8.11
243,409	9.19	Legal & General Investment Management	235,131	8.02
126,385	4.77	M&G	215,246	7.35
173,216	6.53	Wellington International	182,590	6.23
173,273	6.54	Sarasin & Partners	180,256	6.15
151,592	5.72	Goldman Sachs Asset Management	166,080	5.67
94,720	3.57	HarbourVest Partners	114,751	3.92
93,426	3.53	SL Capital Partners	78,234	2.67
5,044	0.19	Global Custodian*	12,493	0.43
3,238	0.12	Insight Investment (Pareto)*	2,551	0.09
1,725	0.07	Berenberg Bank *	-1,519	-0.05
2,649,744	**100.00**		**2,930,374**	**100.00**

All the above companies are registered in the United Kingdom.

* The assets held by the Global Custodian(s) represent cash held in money market funds primarily to meet the cash flow requirements of the Fund's private 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 2014 £000	Percentage of total fund %	Percentage of total fund £000	Market Value 31 March 2015 %
Legal & General UK Equity Index Fund	243,409	9.1	234,360	7.9
Fidelity Institutional Exempt America Fund	162,719	6.1	167,217	5.7
Goldman Sachs Strategic Absolute Return (STAR) Bond Fund	151,592	5.7	166,080	5.6
Fidelity Institutional Europe Fund	140,908	5.3	150,174	5.1

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 2015 the Legal and General UK Equity Index Fund held 642 (2014 622) stocks compared with the 642 (2014 622) stocks in the equity index that it tracks (FTSE all-share).
- The underlying holdings of the Fidelity Institutional Exempt America Fund comprised 160 stocks at 31 March 2015 (2014 181).
- The Goldman Sachs STAR Fund held 1,007 (2014 1,436) individual positions at 31 March 2015.
- The Fidelity Institutional Europe Fund comprised 64 holdings at 31 March 2015 (2014 61).

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 2015:

Holding/Investment Type	Market Value 31 March 2015 £000	Percentage of asset class %
Pooled investments		
Legal & General UK Equity Index Fund	234,360	17.94%
Fidelity Institutional Exempt America Fund	167,217	12.80%
Goldman Sachs Strategic Absolute Return Bond Fund	166,080	12.71%
Fidelity Institutional Europe Fund	150,174	11.49%
Henderson Long Dated Credit Fund	141,041	10.79%
Fidelity Institutional Japan Fund	85,182	6.52%
Pooled property investments		
Industrial Property Investment Fund	29,837	8.79%
Aviva Investors Pensions Property Fund	29,271	8.62%
Standard Life Pooled Property Fund	27,911	8.22%
Blackrock UK Property Fund	23,637	6.96%
Threadneedle Property Unit Trust	23,576	6.95%
Standard Life UK Retail Park Trust	20,098	5.92%
Lothbury Property Trust	18,721	5.51%
Ashtenne Industrial Property Fund	18,353	5.41%
Private equity		
Harbourvest VIII Cayman Buyout Fund	42,641	22.05%
Standard Life European Strategic	30,494	15.77%
Harbourvest VIII Cayman Venture Fund	27,070	14.00%
Standard Life European Strategic	24,517	12.68%
Standard Life European Strategic	22,280	11.52%
Harbourvest IX Cayman Buyout Fund	10,289	5.32%
Harbourvest VII Cayman Buyout Fund	10,271	5.31%
Direct Property		
Hamlin Way, King's Lynn	454	100.00%

Holding/Investment Type	Market Value 31 March 2015 £000	Percentage of asset class %
Derivatives - Futures		
July 2015 Long GILT Future	-347	53.22%
July 2015 Medium GILT Future	-289	44.31%

15c. Stock Lending

	31 March 2015 £000	31 March 2014 £000
Value of quoted equities on loan	6,280	67,793
Fair value of collateral held by Custodian	6,636	71,784
Collateral relative to stock on loan (percentage coverage)	106%	106%

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 2015 £000	Value on loan at 31 March 2014 £000
UK Equities	886	22,138
Overseas Equities	5,394	37,037
Corporate Bonds	0	8,618

At 31 March 2015, securities were on loan to 4 separate borrowers representing 4 parent groups. The largest single parent exposure was 52% of the lending programme.

15d. Property Holdings

Year Ending 31 March 2014 £000		Year Ending 31 March 2015 £000
454	Opening balance	454
0	Additions	0
0	Disposals	0
0	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-14				31-Mar-15		
Designated as fair value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised cost £000		Designated as fair value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised cost £000
			Financial assets			
122,677			Fixed Interest Securities	123,987		
793,786			Equities	821,867		
1,190,572			Pooled Investments	1,306,655		
308,550			Pooled Property	339,470		
188,146			Private equity	193,353		
6,770			Derivative contracts	5,630		
	42,412		Cash		60,553	
11,076			Other investment balances	146,140		
	82		Debtors		46	
2,621,577	**42,494**	**0**		**2,937,102**	**60,599**	**0**
			Financial liabilities			
-2,046			Derivative contracts	-3,713		
		-5,462	Creditors			-5,834
-4,422			Other Investment Balances	-57,567		
-6,468	**0**	**-5,462**		**-61,280**	**0**	**-5,834**
2,615,109	**42,494**	**-5,462**		**2,875,822**	**60,599**	**-5,834**

16b. Net Gains and Losses on Financial Instruments

31 March 14 £000		31 March 15 £000
	Financial assets	
242,752	Fair value through profit and loss	478,844
0	Loans and receivables	0
0	Financial liabilities measured at amortised cost	0
	Financial liabilities	
-91,062	Fair value through profit and loss	-162,956
0	Loans and receivables	0
0	Financial liabilities measured at amortised cost	0
151,690	**Total**	**315,888**

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 2015	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	2,404,279	0	532,823	2,937,102
Loans and receivables	60,599	0	0	60,599
Total financial assets	**2,464,878**	**0**	**532,823**	**2,997,701**
Financial liabilities				
Fair value through profit and loss	-61,280	0	0	-61,280
Financial liabilities at amortised cost	-5,834	0	0	-5,834
Total financial liabilities	**-67,114**	**0**	**0**	**-67,114**
Net financial assets	**2,397,764**	**0**	**532,823**	**2,930,587**

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**

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 2015-16 reporting period:

Asset Type	Potential Market Movements (+/-) %
UK Bonds including pooled	7.01
Overseas Bonds including pooled	1.59
UK Equities including pooled	10.60
Overseas Equities including pooled	9.21
Index Linked Gilts including pooled	9.47
Property Investments (pooled and direct)	3.53
Private Equity	7.62
Cash and Cash Equivalents (Including Payables and Receivables)	0.02
Total	**5.63***

* 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 2015 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash and Cash Equivalents including payables and receivables	145,241	0.02	145,270	145,212
Investment Portfolio Assets:				
UK Equities including pooled	510,921	10.60	565,079	456,763
Overseas Equities including pooled	1,084,383	9.21	1,184,255	984,511
UK Bonds including pooled	134,729	7.01	144,174	125,284
Overseas Bonds including pooled	463,654	1.59	471,026	456,282
Index Linked Gilts including pooled	58,169	9.47	63,678	52,660
Pooled & Direct Property Investments	339,924	3.53	351,923	327,925
Private Equity Partnerships	193,353	7.62	208,086	178,620
Total Assets Available to Pay Benefits	**2,930,374**	**5.63**	**3,095,354***	**2,765,394***

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***

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

Asset Type	Value as at 31 March 2015 £000	Value as at 31 March 2014 £000
Investment Cash Balances	58,766	40,844
Cash in hand	1,787	1,568
Total	60,553	42,412

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 2015	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
	£000	£000	£000
Investment Cash Balances	58,766	588	-588
Cash in hand	1,787	18	-18
	60,553	**606**	**-606**

Currency Risk

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

Currency Risk Sensitivity Analysis

Following analysis of historical data in consultation with the Fund’s performance measurers, the council considers the likely annualised volatility associated with foreign exchange movements to be 2.44% 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 2.44% 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 2015 £000	Change to net assets available to pay benefits +2.44% £000	-2.44 % £000
Overseas Equities (including pooled equity funds where underlying assets are non-Sterling denominated)	1,084,383	26,459	-26,459
Private Equity	193,353	4,718	-4,718
Change in net assets available to pay benefits		**31,177**	**-31,177**

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 2015	Balances at 31 March 2015 £000	Short term Rating (S&P) 31st March 2014	Balances at 31 March 2014 £000
Bank Deposit Accounts				
Barclays Bank PLC	A-1	1,092	A-1	789
HSBC	A-1+	1,092	A-1+	789
Bank Current Accounts				
Co-op Bank	Not rated by S&P – Fitch B	5	Not rated by S&P – Fitch B	11
Total		**2,189**		**1,589**

The majority of Custodied Investment cash is swept overnight to the AAA rated constant NAV money market funds of the custodian(s) and one other provider (Deutsche). The credit exposure on investment cash balances at 31 March 2015 comprise £49.5 million (£37.7m) deposited with AAA rated money market funds, £7.5 million (£1.6m) deposited direct with the custodian HSBC (rated A-1+), £1.8 million (£1.6m) posted to a variation margin account held by Royal Bank of Scotland (rated A-2).

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 2015 (2014 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 2015 £000	Percentage of Total Fund Assets %	Balances at 31 March 2014 £000	Percentage of Total Fund Assets %
533,277	18.2	497,150	18.8

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 2015 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 Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2013. The next valuation will take place as at 31 March 2016.

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 on the Fund's website.

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

Financial Assumptions at 31 March 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 2015 £000	31 March 2014 £000
Actuarial present value of promised retirement benefits	4,451,000	3,729,000

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

Assumptions Used	31 March 2015 %	31 March 2014 %
Inflation/Pension Increase Rate Assumption	2.40	2.80
Salary Increase Rate	3.30	3.60
Discount Rate	3.20	4.30

20. Current Assets

31 March 2014 £000		31 March 2015 £000
	Cash In Hand	
1,568	Cash In Hand**	1,787
	Debtors:	
2,175	Contributions due - employees*	2,163
6,586	Contributions due - employers*	6,912
0	Employers special contributions	11
885	Augmentation & strain due	562
5,335	Dividends receivable**	3,175
1,302	Pooled funds rebate due**	1,480
172	UK tax receivable	163
688	Overseas tax receivable	743
182	VAT refund due	469
9	Interest due**	3
17	Stock lending/commission recapture**	10
64	Recharge of fees**	30
5	Prepayments	2
18	Sundry **	16
17,438	**Debtors**	**15,739**
19,006	**Current Assets**	**17,526**

*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 2014 £000		31 March 2015 £000
	Long term debtors:	
9,071	Employer contributions	8,406
11	Augmentation & strain due	8
9,082		**8,414**

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 2014 £000		31 March 2015 £000
9,866	Central government bodies	9,076
6,389	Other local authorities	6,288
18	NHS Bodies	0
10,247	Other entities and individuals	8,789
26,520		**24,153**

21. Current Liabilities

31 March 2014 £000		31 March 2015 £000
	Creditors:	
0	Transfer values payable (leavers)	22
1,292	Benefits payable	596
3,451	Investment Management Fees**	3,568
2,000	Other Fees & Charges**	2,253
931	UK Taxation payable	992
11	Sundry creditors**	13
7,685		**7,444**

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

Analysis of Creditors

31 March 2014 £000		31 March 2015 £000
939	Central government bodies	1,004
1,869	Other local authorities	2,120
4,877	Other entities and individuals	4,320
7,685		**7,444**

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 2014 £000		Market Value 31 March 2015 £000
5,040	Separately Invested AVC Funds	5,161

2013-14 £000		2014-15 £000
352	AVC contributions paid directly during the year	372

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

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

	2013-14 £000	2014-15 £000
Norfolk County Council incurred administration and Investments costs reimbursed by the Fund	1,869	2,120
Norfolk County Council Employer Contributions	36,819	38,145

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.

	2013-14 £000	2014-15 £000
Average investment balance held by NCC Treasury Management Operation	5,957	7,212
Interest earned on balances invested by NCC Treasury Management Operation	38	40

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
Interim Executive Director of Finance (P Timmins)	2014-15	£182,300	0	0	**£182,300**	N/A	**£182,300**
Interim Head of Finance (P Timmins)	2013-14	£95,400	0	0	**£95,400**	N/A	**£95,400**
Head of Finance (P Brittain)*	2013-14	£62,300	0	0	**£62,300**	£9,200	**£71,500**

*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 2014 £000	31 March 2015 £000
Private equity partnerships	88,330	84,098
Property investment vehicles	9,150	22,400

At 31 March 2015 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 2015 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, Australian Dollar and US Dollar denominated commitments to four (four in 2013-14) 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 Chief Constable
- Norfolk County Council
- North Norfolk District Council
- Norwich City Council
- NPS Property Consultants Ltd
- South Norfolk District Council

Scheduled and Resolution Bodies

- Acle Academy
- Acle Parish Council
- Admirals Academy
- Alive Management Ltd
- All Saints Academy
- Antingham & Southrepps Community Primary School
- 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
- Caister Academy
- Cawston Parish Council
- Cherry Tree Academy Marham Junior
- Cherry Tree Academy Trust Marham
- Cherry Tree Academy Marham Infant
- City Academy Norwich
- City College Norwich
- City of Norwich School
- Clenchwarton Primary School
- Cliff Park Ormiston Academy
- Cliff Park Schools Trust Ltd
- Cobholm Primary Academy
- College of West Anglia
- Costessey Infant School (Academy)
- Costessey Junior School (Academy)
- Costessey Town 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
- Duchy of Lancaster Methwold Church of England Primary
- East Norfolk Sixth Form College
- East of Ouse, Polver & Nar Internal Drainage Board
- Eastern Inshore Fisheries and Conservation Authority
- Eastgate Academy
- Easton and Otley College
- Eaton Hall Specialist Academy
- Eaton Primary School
- Edith Cavell Academy
- Fakenham Academy Norfolk
- Fakenham Town Council
- Filby Primary School
- Flegg High School
- Flitcham Church of England Primary Academy
- Framingham Earl Parish Council
- Gillingham St Michael's Primary
- Great Snoring Parish Council
- Great Yarmouth College of Further Education
- Great Yarmouth Norse
- 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
- Hunstanton Town Council
- Iceni Academy
- Inspiration Trust
- Jane Austin College
- Kettlestone Parish Council
- King Edward VII Academy
- King's Lynn Academy
- King's Lynn Internal Drainage Board
- Kirby Cane and Ellingham Parish Council
- Little Snoring Parish Council
- Loddon Parish Council
- Lynn Grove High School (Academy)
- Martham Parish Council
- Martham School Trust
- Mattishall Parish Council
- Middleton Primary School
- Moorlands Church of England Primary Academy
- Mundford Church of England Primary
- Nar and St Clement's Children's Centre
- NCS (Assistive Technology)
- NCS Transport Ltd
- Nelson Academy
- Norfolk Educational Services (NES)
- Norfolk Police and Crime Commissioner
- Norfolk Rivers Internal Drainage Board
- Norman Church of England Primary School
- Norse Care Limited
- Norse Care Services
- Norse Commercial Services
- Norse Eastern
- North Walsham Town Council
- Northgate High School
- Northrepps Parish Council

- Norwich Norse
- Norwich Road Academy
- Notre Dame High School Academy
- NPS (Norwich) Ltd
- NPS (South West) Ltd
- Open Academy - Heartsease
- Ormiston Venture Academy
- Paston College
- Poringland Parish Council
- Reepham High School and College
- Runcton Holme Church of England Primary School
- Sheringham High School (Academy)
- Sir Isaac Newton Free School
- Snettisham Primary School
- Southery & District Internal Drainage Board
- Springwood High School Academy Trust
- St Clements HS Academy
- St Mary's Church of England Junior School (Academy)
- St Peter & St Paul Carbroke Church of England Primary Academy
- Stalham High School
- Stradbroke Primary
- Swaffham Church of England Junior School
- Swanton Morley Parish Council
- Taverham Parish Council
- The Howard Junior
- Thetford Academy
- Thetford Town Council
- Thorpe St. Andrew Town Council
- Trowse with Newton Parish Council
- Upton with Fishley Parish Council
- Village Green Nursery
- Wayland Junior Academy Watton
- Wells-Next-The-Sea Town Council
- Norwich Primary Academy
- Norwich University of the Arts
- NPS (London) Ltd
- NPS (South East) Ltd
- Old Catton Parish Council
- Ormiston Herman Academy
- Ormiston Victory Academy
- Peterhouse Primary School
- Redenhall with Harleston Town Council
- Right for Success Academy Sponsorship Trust
- Saxlingham Nethergate Parish Council
- Short Stay School for Norfolk
- Snettisham Parish Council
- South Wootton Parish Council
- Spixworth Parish Council
- Sprowston Town Council
- St Martin at Shouldham Church of England Primary Academy
- St Michael's Church of England Academy (King's Lynn)
- Stalham Academy
- Stalham Town Council
- Suffolk Coastal Services
- Swaffham Town Council
- Taverham High School
- The Free School Norwich
- The Nicholas Hamond Academy
- Thetford Free School
- Thomas Bullock Primary
- Tilney All Saints VC Primary School
- Tuckswood Academy and Nursery
- Village Green Children’s Centre
- Wayland High School Academy
- Weeting VC Primary School
- Wensum Junior School

- West Lynn Primary
- Whitefriars Church of England Primary Academy
- Woodlands Primary Academy
- Wormegay Primary
- Wymondham Academy College
- Wymondham High Academy
- Wymondham Town Council
- University Technical College Norfolk

Admitted Bodies

- 4Children
- Action for Children (Dereham)
- Action for Children (Hethersett)
- Action for Children (Thorpe)
- Action for Children (Wells)
- Age UK Norfolk
- Alive Leisure Trust
- Anglia Maintenance Services
- Biffa Municipal Ltd
- Childhood First
- Circle Anglia Limited
- Edwards and Blake
- Edwards and Blake (Neatherd High)
- Edwards and Blake (Nicholas Hammond)
- 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
- Hethel Innovation Ltd
- Independence Matters
- Kier Support Services
- Lafarge Tarmac
- Mid Norfolk Citizens Advice Bureau
- New Anglia Enterprise Council Partnership (Local Enterprise Partnership)
- 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 225 other bodies who actively participate in the Scheme.

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

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

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

Appendix IV – Governance Compliance Statement

The Norfolk Pension Fund Governance Compliance Statement as at August 2015
Local Government Pension Scheme Regulations 2013 (as amended)
Regulation 55

Principle A – Structure

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

a. The management of the administration of benefits and strategic management of fund assets rests clearly with the main committee established by the appointing council.
Full Council have delegated responsibility to Pensions Committee to administer all aspects of the Norfolk Pension Fund on behalf of Norfolk County Council as Administering Authority of the scheme, and on behalf of NCC as an employer within the scheme alongside all other contributing employers, and on behalf of all scheme beneficiaries (scheme members).

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, members of the Pensions Oversight Board (Local Pension Board).

c That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.
Committee member 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 2013 and 2014 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 2014-15 by Hymans Robertson LLP

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013, and Chapter 6 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2014/15. This statement is in respect of Norfolk Pension Fund ("the Fund") which is administered by Norfolk County Council ("the Administering Authority")

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2014. In summary, the key funding principles are as follows:

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

The 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 Funding Strategy Statement.

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 used were 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 a 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

*Future pensioners were assumed to be aged 45 at the last formal valuation date.

Copies of the 2013 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund or on the Fund's website.

Experience over the period since April 2013

Real bond yields have fallen dramatically since the valuation, placing a higher value on liabilities. Strong asset returns have partially offset this. In aggregate, deficits are likely to have increased 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.

Gemma Sefton FFA

Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP
8 May 2015

Hymans Robertson LLP
20 Waterloo Street
Glasgow
G2 6DB

Appendix VI – Glossary

Active Management

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

Actuarial Valuation

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

Actuary

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

Administering Authority

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

Admitted Bodies

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

Asset Allocation / Asset Mix

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

Assumed Pensionable Pay

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

Auditor

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

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

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

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

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

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

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

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

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

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

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

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

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.