



Norfolk Pension Fund

Annual Report and Accounts 2015-16



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Introduction

In my first year as Chairman of the Pensions Committee with responsibility for overseeing the investment management and administration of the Norfolk Pension Fund, I am delighted to introduce the 2015/16 Annual report and statement of accounts together with Nicola Mark, Head of the Norfolk Pension Fund.

This year has seen no let-up in the challenges and pace of change both across the Pensions sector generally and within the LGPS specifically. These range from the introduction in April 2015 of the Governments Freedom and Choice legislation, and the biggest shake up to the state pension since its inception, through to the LGPS investment pooling agenda and a whole variety of Government consultations ranging from revised investment regulations to Fair Deal. All of these will have implications for generations to come. As Pensions Committee and Officers of the Norfolk Pension Fund we are ever mindful of our responsibilities to our 82,000 scheme members, 262 active employers and the local tax payer. Therefore our decision making is always clearly focussed on working together to deliver the best outcomes for all our stakeholders.

Our average pension in payment remains less than £5,000, reflecting the earnings and work profile of our membership. We believe the LGPS offers a very secure way of saving for a secure income in retirement, particularly important for part time or lower paid employees. Despite the introduction of pension freedoms, we have received very few inquiries about the new flexibilities.

We know that pensions are difficult for scheme members to understand, and increasingly complex and challenging for employers to manage; they are a significant cost; and short term decisions can have very long term effects. Looking ahead things are not going to get easier - already on the horizon are further changes to taxation on pensions, early retirement terms and caps on public exit payments which will impact scheme members and employers.

Therefore we remain committed to helping scheme members and employers understand the LGPS, to enable them to make informed and timely decisions. We continue to focus on investing in people and technology in order to maintain and drive up our high standards of service and performance from an efficient, value for money base.

This investment means that, for several years now, our scheme members have had access to their records on line and a personalised benefits calculator, alongside the more traditional means of communication. We have also worked closely with employers to extend and improve our employer portal, and we are grateful to our employers for working with us in this area. Without this investment and co-operation we would not have been able to manage the increasing volumes (including a rapid increase in employer numbers) and complexities in administration.

As a result of the Public Sector Pensions Act 2013, April 2015 saw the introduction of Local Pension Boards, charged with assisting Committees in the good governance of LGPS Funds, and also the establishment of the national Scheme Advisory Board (previously in shadow form), to oversee the operation and funding of the LGPS at a national level. Our Local Pension Board – the Pensions Oversight Board - met for the first time in July 2015 after a nomination and election process open to all scheme members and employers. We appreciate the commitment and contribution already made by those appointed to the Board on behalf of our employers and scheme members and look forward to working more closely with them in the interests of all our scheme members and employers. Unlike other Public Sector funds the LGPS is a funded scheme. Despite considerable volatility across the markets our investment returns have been ahead of our benchmark over the last three and five year time periods. In the last year we have paid pension benefits to our members of £126 million.

Pensions Committee, as quasi Trustees of the Norfolk Pension Fund, take their stewardship responsibilities very seriously. Our Statement of Investment Principles, including our Voting Policy, is available from our website www.norfolkpensionfund.org together with our quarterly voting reports.

The LGPS is a national scheme and we continue to take a leading role nationally. Nicola was elected to represent practitioners at the Shadow Scheme Advisory Board, **and** Cllr John Fuller sits on the Scheme Advisory Board representing non-administering authorities. Both Nicola and our Vice Chairman, Cllr Alan Waters, are on the Local Government Pensions Committee (LGPC).

The National LGPS Frameworks project (a national collaboration between and on behalf of LGPS Funds, supported by the Norfolk Pension Fund, Norfolk Procurement and nplaw) continues to deliver significant benefits and savings (in excess of £27m to date). The appointment of a widely known and respected LGPS professional Nigel Keogh as the full time Manager should enable the initiative to extend its scope and influence to help unlock the further potential for savings and influence across the LGPS.

The Government has encouraged all LGPS Funds to collaborate further to put forward plans to 'pool investments to significantly reduce costs, while maintaining investment performance'. To meet this pooling agenda the Norfolk Pension Fund is working with other like-minded LGPS Funds on proposals under the name of ACCESS (A Collaboration of Central, Eastern and Southern Shires). These proposals have now been put forward to Government.

Since our financial year end, you will know that the United Kingdom has voted to leave the European Union. “Brexit” presents a number of challenges and uncertainties for investors generally and Pension Funds specifically. Financial market volatility inevitably impacts upon Fund assets and liabilities. At a time of increased volatility the Fund continues to stick to its principles of being a diversified long term investor working closely with its partners to navigate through the current financial environment.

Once again may we take this opportunity to sincerely thank the members of Pensions Committee and the Pensions Oversight Board, the Fund’s advisors, employers and of course the Norfolk Pension Fund team for all their commitment, enthusiasm and hard work during the last year on behalf of our stakeholders. In particular may we record our appreciation for Councillor Steve Morpew, the previous Chair of Pensions Committee.



A stylized, handwritten signature in black ink, consisting of a long horizontal line with a loop at the end.

Cllr Jason Law
Chairman of the Pensions Committee



A handwritten signature in black ink that reads "Nicola Mark" in a cursive style, with a horizontal line underneath.

Nicola Mark, MBE
Head of the Norfolk Pension Fund

Contact Us

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Pension Fund Investment & Actuarial
Services Manager

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Post: Norfolk Pension Fund
5th Floor, Lawrence House
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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:	HSBC
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:	Barclays Bank
Fund Auditor:	EY
Performance Measurement:	State Street GS Performance Services PLC
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 2015-16.

The LGPS in brief

- The LGPS is one of the largest public sector pension schemes in the UK with 5.1 million members England and Wales
- 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.lgpsmember.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.

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.

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**
- The Norfolk Pension Fund has established a **Local Pension Board** (known locally as the **Pensions Oversight Board**)
- This report supports NCC's Annual Governance Statement, which is published in the NCC Annual Statement of Accounts

Pensions Committee

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

- Ensure compliance with legislation and best practice
- Determine policy for the investment, funding and administration of the Fund
- Monitor performance across all aspects of the service
- Consider issues arising and make decisions to secure efficient and effective performance and service delivery
- Appoint and monitor advisors
- Ensure that arrangements are in place for consultation with stakeholders as necessary

Pensions Committee Membership

Chair:	Norfolk County Councillor	Cllr Jason Law
Vice Chair:	District Councillor (co-opted by the Local Government Association)	Cllr Alan Waters
	Norfolk County Councillor	Cllr Martin Storey
	Norfolk County Councillor	Cllr Judith Virgo
	Norfolk County Councillor	Cllr Alison Bradnock
	Norfolk County Councillor	Cllr David Ramsbottom
	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 (Scheme Manager)	Nicola Mark
	Investment Advisor to the Fund (Hymans Robertson LLP)	Ronnie Bowie / William Marshall

Pensions Oversight Board

The Pensions Oversight Board's role is to work closely in partnership and assist the Scheme Manager in relation to the following matters:

- Securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;
- Securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator;
- Ensuring any breach of duty is considered and followed under the scheme's procedure for reporting to the Pensions Regulator and to the Scheme Manager;
- Such other matters as the scheme regulations may specify;
- Assisting the Scheme Manager to ensure the effective and efficient governance and administration of the scheme.

Pensions Oversight Board Membership

Chair:	Director of Pensions, Essex Pension Fund	Kevin McDonald
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Employer Representatives:

Norfolk County Council	Debbie Beck
Diocese of Norwich Education & Academies Trust	David Hicks
Poringland Parish Council	Cllr Chris Walker

Scheme Member Representative:

Active/Deferred Member	John Harries
Pensioner Member	Vacant
Trade Union	Rachel Farmer

Other attendees:

Head of the Norfolk Pension Fund & Scheme Manager	Nicola Mark
Business Development & Project Manager	Jo Quarterman
Chief Investment Manager	Glenn Cossey
Pension Fund Investment & Actuarial Services Manager	Alex Younger
Pensions Manager	Mark Alexander

Pensions Committee and Pensions Oversight Board Training

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

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

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 2015, this included meeting Hymans Robertson for an in-depth review of the Fund's future strategic direction and a session with various providers of investment services.

Conflict of interest : Pensions Committee

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

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

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

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

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

Conflict of Interests: Pensions Oversight Board

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

“Declarations of interest

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

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

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

Accountability and Transparency

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

Pensions Committee meetings are open to members of the public.

Pensions Oversight Board agendas, reports and minutes are published on the Norfolk Pension Fund website at www.norfolkpensionfund.org/AboutUs/Pages/LocalPensionBoard

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
- Pensions Administration Strategy

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

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

Pensions Administrative Strategy

A Pensions Administrative Strategy was introduced in February 2016.

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

Service standards are set out within Fund documentation.

Annual Report from Pensions Oversight Board

This is the first Annual Report of the Norfolk Pension Fund Pensions Oversight Board (POB) covering the period from 01 July 2015 until 30 June 2016.

Role and Function

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



The remit of the POB includes assisting the Administering Authority as Scheme Manager:

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

The proposals for establishing the Pensions Oversight Board (including the full Terms of Reference) were set out in a paper to Pensions Committee in February 2015 which can be found here:

<http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/299/Committee/30/Default.aspx>

The proposed Terms of Reference for the Norfolk Pension Fund Pensions Oversight Board (Local Pension Board) were approved by Norfolk County Council on 13 April 2015.

Further detailed arrangements were reported to Pensions Committee in July 2015 and can be found here:

<http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/379/Committee/30/Default.aspx>

Membership of the Pensions Oversight Board was structured as follows:

- 3 scheme member representatives of which 1 has been nominated by the trade unions and the rest drawn from the total scheme membership
- 3 employer representatives made up of Norfolk County Council (1), precepting / levying employers (1), other employers (1)
- 1 independent non-voting chairman

The membership of the Board as at 14 July 2015 was as follows:

<u>Role</u>	<u>Representing</u>	<u>Appointment</u>
Independent Chair		Kevin McDonald , Director of Pensions, Essex County Council
Scheme Member representatives	Trade Union nominee Active / Deferred representative Pensioner representative	Rachel Farmer (UNISON) John Harries Laurie Rainger (resigned June 2016)
Employer representatives	Norfolk County Council rep. Precepting / levying employers representative Other employers representative	Debbie Beck Councillor Chris Walker, Poringland Parish Council David Hicks, Diocese of Norwich Education and Academies Trust

Pensions Oversight Board Meetings

The Pensions Oversight Board has met 4 times during the year - in July and November 2015, and February and June 2016.

In addition to these meetings, POB Members have attended as observers each of the Pensions Committee meetings since July 2015.

The POB's first meeting was structured to provide relevant background topics and an introduction to the LGPS including:

- Introduction to the Norfolk Pension Fund;
- Background to the Pensions Oversight Board;
- Terms of Reference and Governance

During the course of the year the areas reviewed have included:

- introduction to the LGPS
- governance and decision making framework
- knowledge and skills
- an overview of investments and reporting (including the cost of investing fund assets)
- an overview of administration and performance (including cost of administration)
- feedback from observing Pensions Committee at each meeting
- update on the reform of the LGPS at each meeting

Attendance at POB meetings was 82%.

Pension Oversight Board Member Training

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

All Pensions Oversight Board members received introductory training and resources. Further training and education is undertaken at each meeting. Pensions Oversight Board members are currently undertaking the Pensions Regulators public sector trustee toolkit modules, and are encouraged to make use of other resources and training opportunities.

All members of the Pensions Oversight Board have completed a Training Needs Analysis exercise, to help shape future development needs aligned with their forward work programme.

Details of observing at Pensions Committee meetings and training events (internal and external) are recorded throughout the year.

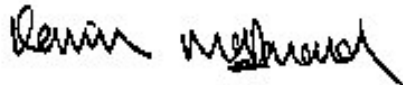
Review of the Pensions Oversight Board

The Pensions Oversight Board, accordance with its terms of Reference must, by 1 October 2016, undertake an annual review to assess its performance.

In addition, the Pensions Oversight Board must review the Chairman's reciprocal arrangement and provide a recommendation to Pensions Committee.

Audit of the Pensions Oversight Board

Norfolk Audit Services completed an audit in June 2016 on 'Compliance with regulations in setting up the Pensions Oversight Board'. Their opinion was 'acceptable' and no findings were identified as part of the audit.

A handwritten signature in black ink, appearing to read 'Kevin McDonald', with a stylized flourish at the end.

Kevin McDonald

Chairman of the Norfolk Pension Fund Pensions Oversight Board

9 August 2016

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 (the latest available at time of publication) are detailed in the chart below:

Task	Target	Norfolk Results	Club Average
Letter detailing transfer-in quote	10 days	91.4%	89.6%
Letter detailing transfer-out quote	10 days	95.0%	88.3%
Process refund and issue payment voucher	5 days	96.4%	91.5%
Letter notifying estimate of retirement benefit	10 days	95.2%	89.2%
Letter notifying actual retirement benefit	5 days	99.5%	90.5%
Process and pay lump sum retirement grant	5 days	99.5%	92.2%
Letter acknowledging death of member	5 days	86.3%	94.1%
Letter notifying amount of dependant's benefits	5 days	81.2%	86.7%
Calculate and notify deferred benefits	10 days	97.4%	75.8%

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?	Pensions Clinics Nov 2015	Employers Feedback Survey
Very satisfied	83%	60%
Satisfied	13%	40%
Neither satisfied or dissatisfied	3%	-
Dissatisfied	-	-
Very dissatisfied	-	-

The feedback we received from the retired Members Forum was “extremely informative”, “fascinating and entertaining”, a “well balanced programme” and “as always, exceptional”.

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 2015/16 are detailed in the chart below:

	2011-12		2012-13		2013-14		2014-15		2015-16	
Joining	1	4.2%	1	3.8%	2	7.0%	2	7.0%	2	7.0%
Leaving	3	12.7%	1	3.8%	0	0.0%	2	7.0%	2	7.0%
Total staff (FTE)	23.7		26.5		28.5		28.5		28.5	
LGPS Admin Staff (FTE)	18.7		20		22		22		22	
Members per Staff (FTE)	3613		3541		3405		3546		3760	
Staff to member ratio	1:193		1:177		1:155		1:161		1:171	

(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 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

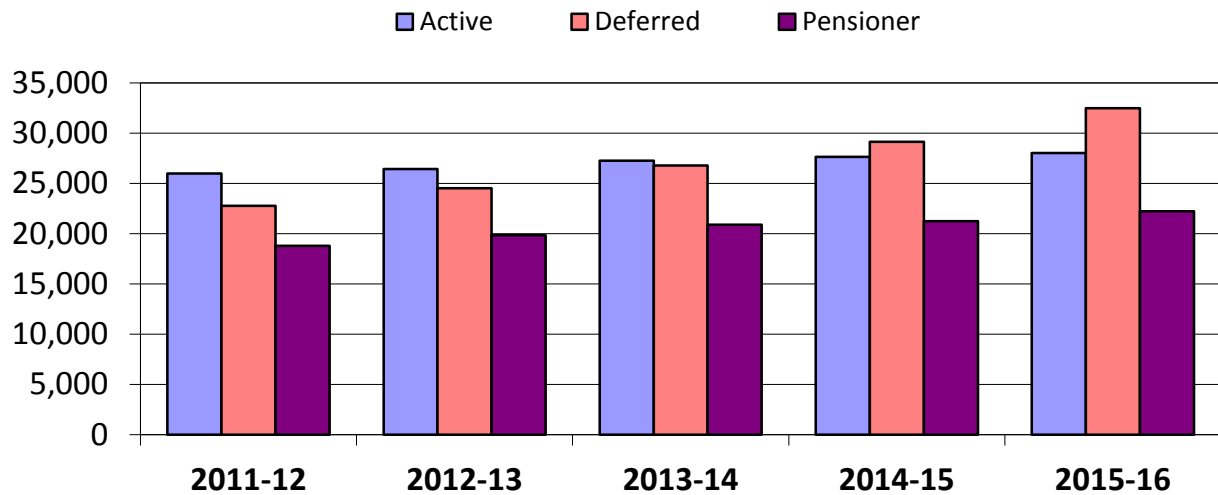
We operate an Internal Dispute Resolution Procedure (IDRP) which is defined by statute. This is used where a member disagrees with the benefits awarded or a decision made by their employer which affected their benefits.

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 2015-16.

Analysis of Membership

Scheme membership

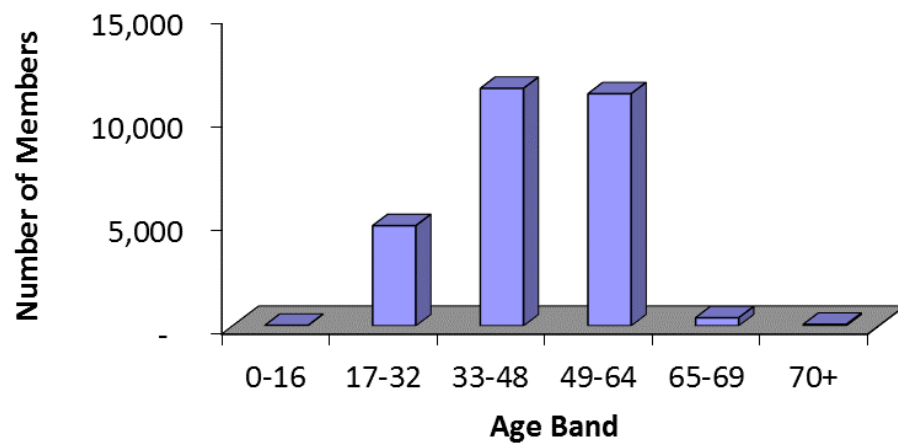


	2011-12	2012-13	2013-14	2014-15	2015-16
Active	25,991	26,439	27,254	27,638	28,030
Deferred	22,773	24,535	26,776	29,125	32,477
Pensioner	18,796	19,851	20,877	21,247	22,215
Total	67,560	70,825	74,907	78,010	82,722

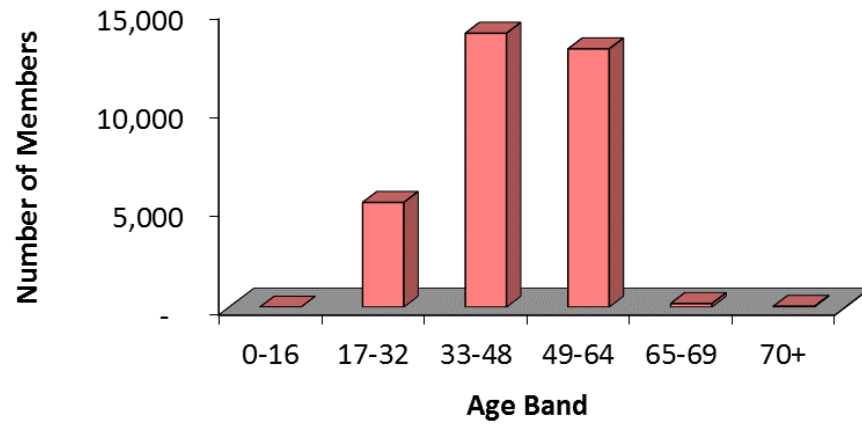
Age Profile

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

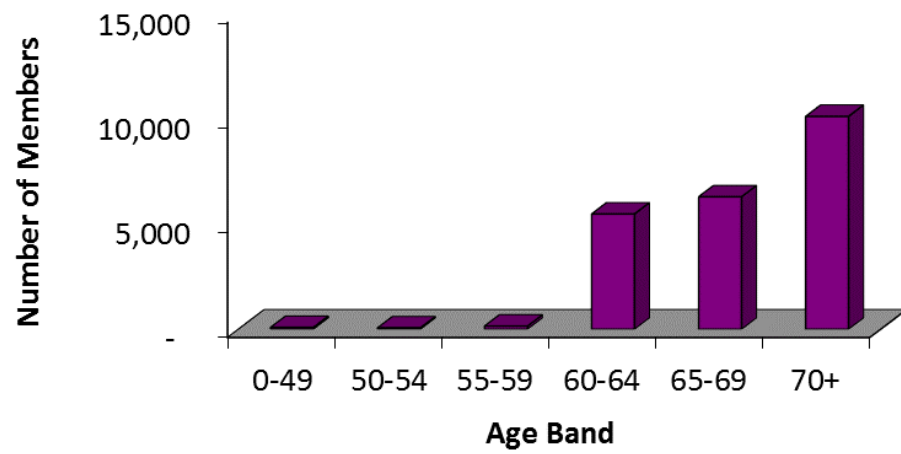
Age profile of Active Scheme Members



Age profile of Deferred Scheme Members

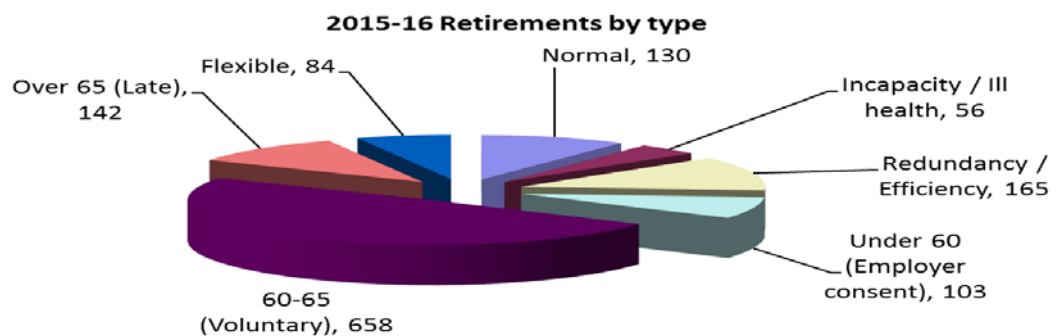


Age profile of Retired Scheme Members



Breakdown of Retirements

1,338 scheme members retired in 2015-16, broken down as follows:



Risk management

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

- The Fund's management team regularly review and update the **Risk Register**
- All risks are considered and monitored in light of their likelihood and impact, with any mitigating action taken as necessary
- The **Risk Register** is also reviewed twice a year by the Pensions Committee
- Pension Fund Officers regularly monitor and review **investment risk and performance**
- The Pensions Committee review **investment risk and performance** quarterly and meet with investment managers at least once a year to discuss their performance
- Hymans Robertson LLP provide advice and support to both the Pensions Committee and Fund Officers
- A summary of the key risks and controls in place to mitigate investment risks are included in our **Funding Strategy Statement**, which is available in the publications section of our website at www.norfolkpensionfund.org
- Third party risks such as payments of contributions are robustly monitored. Assurance over third party operations is provided by obtaining and reviewing formal third party Internal Control reports prepared under the appropriate audit regime
- An on-going framework of inspection and review by the Fund's internal auditors (Norfolk Audit Services) and external auditors 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.

The most recent audit of compliance with the Myners Principles by Norfolk Audit Services 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.

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

We have a dedicated employer portal. This section allows employers to safely, securely and efficiently exchange information with us.



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 2015-16 are provided in the accounts section accompanying this report.

There were no notifiable late payments of contributions by scheme employers during 2015-16. All contributions outstanding at 31 March 2016 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 2015-16

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 2015-16 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, European, 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 and global secondary focused private equity)
- Wellington (global equities)

The global custodian is HSBC.

During the year the fund continued to make small reductions to its equity holdings. The proceeds of these reductions were invested in the fixed income mandates managed by Henderson, M&G and Goldman Sachs. As part of this review the assets managed by Goldman Sachs were moved to an absolute return mandate with a higher return target.

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

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.

2015-16 Investment Results

In absolute terms the Fund's investment assets remained broadly static in valuation terms over the 12 months to 31 March 2016 returning -0.1% in the period, which was ahead of the benchmark by a small margin (+0.1%). Generally equity markets struggled but this was offset by performance in fixed income markets and property. The return over the more meaningful three and five year time periods is ahead of benchmark after all fees and charges. Over both these longer periods the Fund has returned around 7.0% per annum. This is ahead of the long term requirements of the actuarial valuation model. The overall flat return for the year disguises considerable volatility between quarters and asset classes.

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 has reduced overall investment risk in the portfolio.

The performance on the individual active fund managers was disappointing over the last twelve months. In the equity space only Baillie Gifford added value (exceeded benchmark performance) over the period. The performance of Sarasin in particular disappointed. The last quarter of the financial year (to 31 March 2016) was generally difficult for the active fund management industry and the Norfolk Fund was not alone in experiencing headwinds. Of the Fund's fixed interest managers the new investment in the Henderson Multi-Asset Credit mandate produced good relative returns in the period but the other mandates did not provide notable added value.

Longer term the equity mandates managed by Fidelity and Baillie continue to show healthy outperformance but the other active equity mandates have struggled to deliver consistent outperformance. The absolute returns from property have been a recent highlight, although in common with the multi-manager industry generally Aviva have struggled to add value beyond the very healthy benchmark return.

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

Legal & General continue to track the index successfully in accordance with the requirements of the mandate.

The illiquidity and relative immaturity of the Fund's private equity investments, together with the impact of currency movements and ongoing draw-downs, mean that the performance recorded for the underlying funds continues to be volatile. However, as strong global corporate finance activity continued 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	2015-16 % per annum	3 Years % per annum	5 Years % per annum
Total Fund Return	-0.1	6.9	6.9
Fund Benchmark Return	-0.2	6.7	6.8

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.

Alongside this work the Fund is working with ten other LGPS funds as part of the ACCESS pool to provide an effective long term solution to implement pooling of the operational investment the majority of our investment assets in accordance with the Government agenda towards collectivising the operational investment of LGPS assets. This is a complex project in a regulated environment with the potential for high up-front costs and longer pay back periods. The aim of the initiative is to deliver long term cost savings and potentially improve investment outcomes for participating funds, while retaining appropriate local fund decision making and accountability.

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 is currently underway at 31 March 2016, with results available in the first quarter of 2017.

Investment Market Review to 31 March 2016

Introduction

This commentary provides an overview of performance and major events in global financial markets for the three year period ended 31 March 2016, whilst focusing in particular on the latest 12 months.

Review of Global Financial Markets

Many major investment markets performed positively over the 12 months to 31 March although there were considerable ups and downs along the way, particularly in equity markets. Early in the period, signs of a general improvement in the global economic backdrop and continued low interest rates in many developed countries were helpful. However, fears over a sharper than anticipated slowdown in the Chinese economy (with a likely significant knock on effect on overall global growth), as well as concerns about the timing of US interest rate rises and falling commodity prices contributed to the subsequent volatility. Equity indices generally struggled looking at the 12 months as a whole and most recorded negative returns. Overall, fixed interest markets benefited from their 'safe haven' status during the periods of uncertainty and posted a positive performance outcome.

In the US, a generally improving economic tone, combined with other factors, such as the return of considerable amounts of cash to shareholders, drove the US stock market to all-time highs in June 2015, before it surrendered a lot of those gains. Regardless, the economic environment there continued to strengthen and in December last year the US Federal Reserve announced a 0.25% rise in interest rates, the first increase since 2006.

In the UK, the stock market reached record levels in April 2015 before stabilising and subsequently losing momentum. Caught up in broader concerns about overall global economic growth, the UK market ended the period in negative territory. Economic recovery remained muted across the Eurozone during the period. Despite the announcement in early 2016 that the European Central Bank would further reduce interest rates, while increasing quantitative easing (essentially, pumping money into the economy by buying bonds), market weakness persisted and European stock markets also posted a decline overall.

In Japan, company results during the period suggested that profitability was improving, and companies increased pay-outs to shareholders. However, growth in the Japanese economy remained lacklustre. In a surprise move, the Bank of Japan introduced negative interest rates in early 2016 in an attempt to stimulate the economy. Japanese markets ended the period as one of the worst performing regions in local currency terms.

Concerns surrounding slowing global growth, collapsing commodity prices and currency sell-offs all affected investment sentiment towards Emerging Markets, with broad equity indices there falling in value. China, in particular, was the focus of attention given concerns about a slowdown in the rate of economic growth and the implications of this for the region, and beyond.

Interest rates remained low throughout the period and in some cases around the world have been moved by central banks into negative territory. Although also suffering from bouts of uncertainty, UK government bonds rose in value over the year as a whole as yields fell. Meanwhile, corporate bonds delivered only a modest positive return as broader economic growth concerns weighed on sentiment. Overseas government bonds were strong performers with the broad index measuring this market ending the period 9.8% higher. This simply reflected falling yields across developed market economies.

UK commercial property delivered the strongest return across major investment markets, rising 11.7%, driven by a combination of falling interest rate expectations and demand for property from investors chasing yield in the low interest rate environment. Indeed, this has been a feature over the past 3 years.

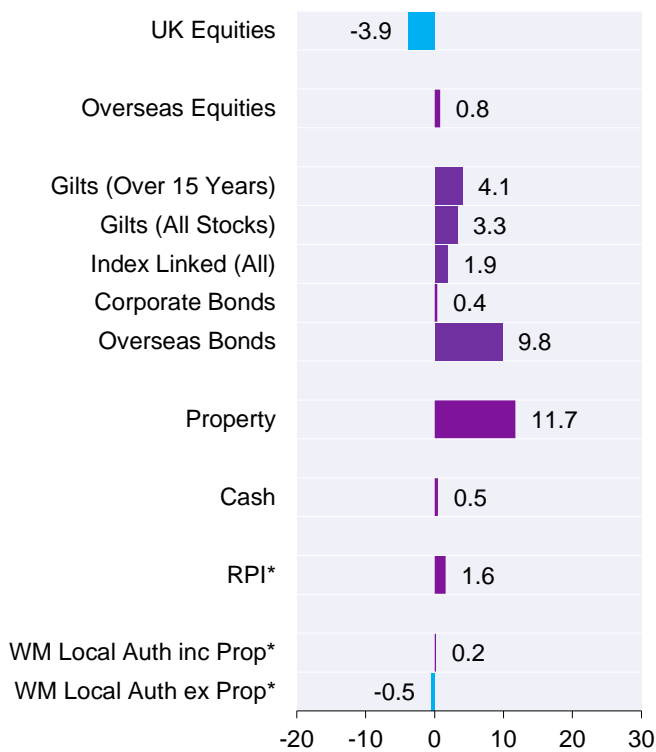
Subsequent to the end of the review period, events transpired in the months immediately following which are of sufficient significance that they merit comment. Of particular note in the UK was the referendum decision on 23rd June to leave the EU. Despite the immediate aftermath of this voting outcome creating uncertainty, major investment market returns measured from 31st March and into the summer period have been positive, including most equity markets, with many registering significant gains. Following the referendum outcome sterling continued its path of weakening against other major currencies, with one of the more immediate impacts of this being the bolstering of returns from overseas assets held by UK-based investors. UK equities also benefited from this currency translation effect, with the largest listed companies in the UK market (as measured by the FTSE100 index) generally being multi-national in terms of where their revenues are derived. More domestically-focused UK businesses, understandably, didn't participate fully in this currency-related fillip. Fixed interest markets continued to generate positive returns, with both government gilts and corporate bonds rising further in value as their yields fell.

Although the investment environment remains broadly supportive there will almost certainly be bouts of volatility lying ahead as investment markets have to deal with the run up to the US Presidential election later in the year and undoubted economic worries which recent experience suggests will present themselves from time to time. Despite all of this uncertainty, with continued central bank support the global economy continues to expand, thus helping support growth in corporate profits.

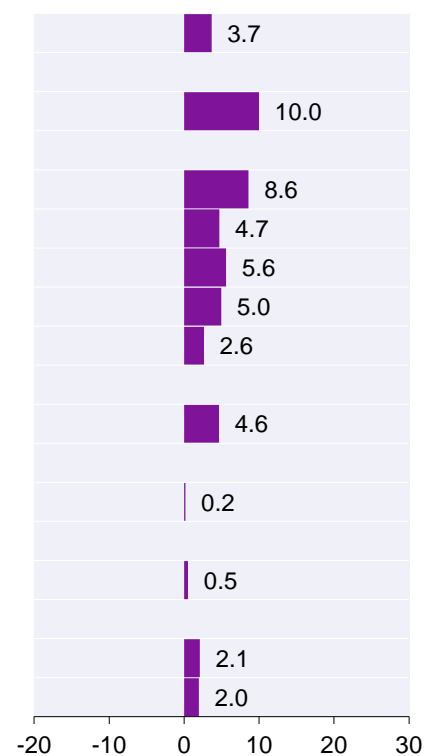
The returns on the main asset classes over the 12 months and three years are illustrated in the charts on the following page.

Returns for World Markets to 31 March 2016

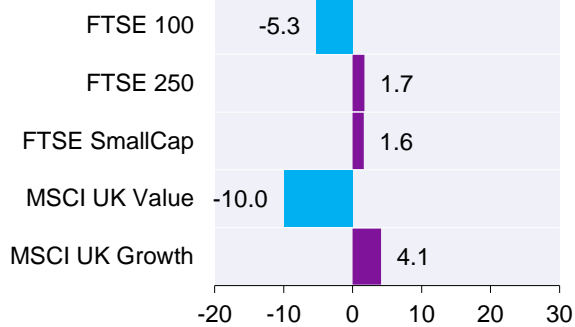
Major Classes – 12 Months (%)



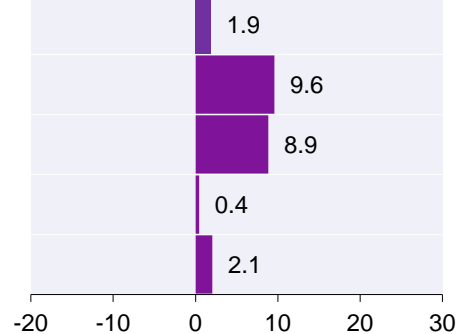
Major Classes – 3 Years (% p.a.)



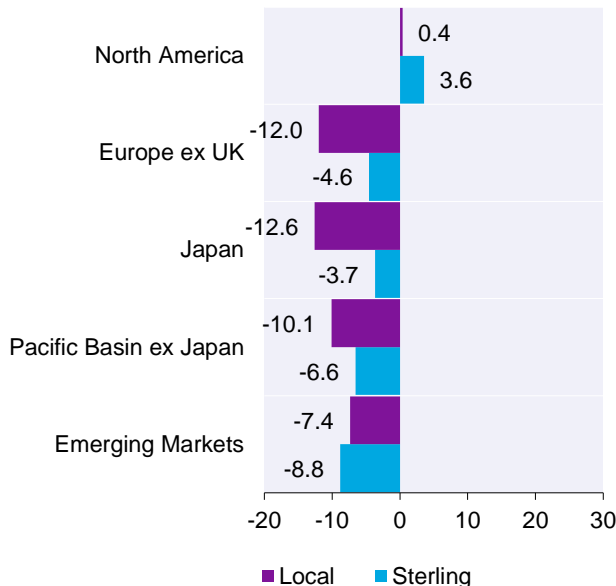
UK Market – 12 Months (%)



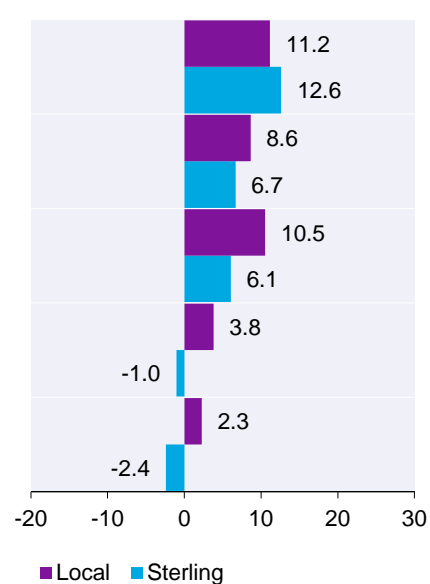
UK Market – 3 Years (% p.a.)



Overseas Equities – 12 Months (%)



Overseas Equities – 3 Years (% p.a.)



*Estimate

World Market Returns - Indices Used

Major Classes

UK Equities
Overseas Equities
Gilts (Over 15
Years)

Gilts (All Stocks)
Index Linked (All)
Corporate Bonds
Overseas Bonds
Property
Cash
RPI

WM Local Auth inc
Prop
WM Local Auth ex
Prop

Indices Used

FTSE All Share
FTSE World ex UK
BOFA Merrill Lynch UK Gilts
15+Y
BOFA Merrill Lynch UK Gilts All
Stocks
FTSE BRIT.GOV.INDEX LINK
BOFA Merrill Lynch £ None Gilts
JPM GLOBAL GOVT.BND X.
IPD Property Index
UK BOE Base Rate
RPI

WM Local Auth inc Prop

WM Local Auth ex Prop

UK Market

FTSE 100
FTSE 250
FTSE SmallCap
MSCI UK Value
MSCI UK Growth

FTSE 100
FTSE 250
FTSE SmallCap
MSCI UK Value
MSCI UK Growth

Overseas Equities

North America
Europe ex UK
Japan
Pacific Basin ex
Japan
Emerging Markets

MSCI North America
MSCI Europe ex UK
MSCI Japan
MSCI Pacific ex Japan
MSCI Emerging Markets

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 Pensions Lifetime Savings Association (PLSA), 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 Local Authority Steering Group.

Nicola was the elected practitioner representative on the shadow National Scheme Advisory Board. Cllr John Fuller sits on the National Scheme Advisory Board representing non-administering authorities.

Both Nicola and Cllr Alan Waters sit on the LGPC (Local Government Pensions 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 (SEC SOG). 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

2015-16 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 40 to 97 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 2016

Signed: _____



Simon George
Executive Director of Finance and Fund Administrator

Date: 26th September 2016 _____

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 2016, which comprise the:

- Revenue and Fund Account;
- Net Assets Statement; and
- related notes 1 to 26.

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

Respective responsibilities of the Executive Director of Finance and the auditor

As explained more fully in the Statement of the Executive Director of Finance's Responsibilities set out on page 38, 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 2015/16.

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 the Introduction; Governance, Scheme Administration; Risk Management; Financial Performance; Investment Policy and Performance; and the Governance Compliance Statement.

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

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 2016 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Tessa Gilbert
for and on behalf of Ernst & Young LLP, Appointed Auditor
Reading

27 September 2016

Revenue and Fund Account

For the Year Ended 31 March 2016

2014-15 £000		Notes	2015-16 £000
Dealings with members, employers and others directly involved in the Fund			
125,054	Contributions	7	125,625
5,255	Transfers in from other pension funds	8	5,130
130,309			130,755
-121,841	Benefits	9	-125,516
-87,683	Payments to and on account of leavers	10	-12,636
-209,524			-138,152
-79,215	Net additions/withdrawals from dealings with members		-7,397
-15,484	Management Expenses	11	-15,674
Returns on investments			
57,820	Investment income	12	65,301
-286	Taxes on income	13	-257
315,888	Profit and losses on disposal of investments and changes in the market value of investments	15a	-86,045
373,422	Net return on investments		-21,001
278,723	Net increase/decrease in the net assets available for benefits during the year		-44,072
2,670,147	Opening net assets of the scheme		2,948,870
2,948,870	Closing net assets of the scheme		2,904,798

Net Assets Statement

As at 31 March 2016

2014-15 £000		Notes	2015-16 £000
2,991,654	Investment assets	15	2,893,172
-61,280	Investment liabilities	15	-5,860
2,930,374			2,887,312
8,414	Long term debtors	20	5,645
8,414			5,645
Current Assets			
15,739	Debtors	20	16,956
1,787	Cash in hand	20	2,768
17,526			19,724
Current Liabilities			
-7,444	Creditors	21	-7,883
-7,444			-7,883
10,082	Net current assets		11,841
2,948,870	Net assets of the Fund available to fund benefits at the period end		2,904,798

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: 26th September 2016 _____

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 2015-16 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 (as amended)

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

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

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

	31 March 2015	31 March 2016
Number of Employers with Active Members	233	262
Number of Employees in Scheme		
Norfolk County Council	14,460	14,655
Other Employers	13,178	13,375
Total	27,638	28,030
Number of Pensioners		
Norfolk County Council	11,148	11,618
Other Employers	10,099	10,597
Total	21,247	22,215
Deferred Pensioners		
Norfolk County Council	17,882	19,486
Other Employers	11,243	12,991
Total	29,125	32,477

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

Employers ceasing to have active employees in the Fund:	Employers joining the active section of the Fund:
<ol style="list-style-type: none"> 1. Aylmerton Parish Council 2. Great Yarmouth Sport and Leisure Trust 3. Hales and Heckingham Parish Council 4. Norfolk Association of Local Councils 5. Pre-School Learning Alliance (Hunstanton) 	<ol style="list-style-type: none"> 1. Anthony Curton Primary School 2. Castle Acre Church of England Primary School 3. Colkirk Church of England Primary School 4. Dereham Church of England Junior Academy 5. Diocese of Norwich Education and Academies Trust (formerly Diocese of Norwich Multi-Academy Trust) 6. Drayton Parish Council 7. Engage Educational Services 8. Garvestone, Reymerston & Thuxton Parish Council 9. Gooderstone Church of England Primary Academy 10. Great Witchingham Church of England Primary School 11. Heart Education Trust 12. The Hewett Academy 13. Hilgay Riverside Academy 14. Hockering Primary Academy 15. Holt Town Council 16. King's Lynn Internal Drainage Board (Water Management Alliance) 17. Konectbus Ltd 18. Lingwood & Burlingham Parish Council 19. Lingwood Primary Academy 20. Marshland High School 21. Marshland St James Primary School 22. Narborough Church of England Primary Academy 23. Rackheath Parish Council 24. Sculthorpe Church of England Primary School 25. Sentinel Leisure Trust 26. Sewell Park Academy 27. Sheringham Town Council 28. Southery Academy 29. Sporle Church of England Primary School 30. St Andrews Primary School 31. St Peters Church of England Primary Academy 32. Tasburgh Parish Council 33. Ten Mile Bank Primary Community Primary School 34. West Raynham VC Primary School

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

c) Funding

Benefits are funded by employee and employer contributions and investment earnings. For the financial year ending 31 March 2016, 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 2016-17. The bandings are unchanged from 2015-16.

Actual Pensionable Pay 2016-17	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. Work on the March 2016 valuation is underway.

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	Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up

Benefits are index-linked in order to keep pace with inflation. In June 2010, the Government announced that the method of indexation would change from the retail prices index (RPI) to the consumer prices index (CPI). This change took effect from 1 April 2011. The appropriate index for April 2016 is negative (-0.1%) and means pensions that have accrued for active scheme members during 2015-16 will be reduced on 1 April 2016. However, the Government have confirmed that pensions in payment should not be reduced. The Fund is awaiting advice from the Government on the method of reduction for those members leaving the scheme in 2015-16 and not drawing a pension.

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 2015-16 financial year and its position at year-end as at 31 March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 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.

The 2014-15 comparator figures for deficit contributions and contingent assets have been represented in note 7 and 25. The 2014-15 comparator figure in Note 15b (analysis of investments) has also been represented to reflect changes in the presentation of the note to reconcile with the Assets and liabilities shown in the Net Asset Statement.

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

	2014-15 £000	2015-16 £000
Performance-related fees	1,747	1,056

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.

	2014-15 £000	2015-16 £000
Value of fees based on estimates	3,568	3,224

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

Net Assets Statement

g) Financial assets

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

The values of investments as shown in the net assets statement have been determined 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 was valued on the basis of market value at 31 March 2016, by NPS Property Consultants Ltd using a MRICS qualified Valuer in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards 2014. The direct property holding is valued every 3 years in line with the triennial valuation of the Fund. NPS Property Consultants Ltd is an employer within the Norfolk Pension Fund and the Surveyor that undertook the valuation was contributing member when the valuation was completed.

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 2015-16 and 2016-17 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.

	2014-15 £000	2015-16 £000
Value of unquoted private equity	193,353	183,489

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 £393 million. A 0.25% increase in the assumed earnings inflation would increase the value of liabilities by approximately £70 million, a 0.5% increase in the pension increase rate would increase the liability by approximately £290 million and a one-year increase in assumed life expectancy would increase the liability by approximately £125 million.
Private Equity	Private equity investments are valued at fair value in accordance with appropriate standards and guidance. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £183.5 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 2016, and up to the date when these accounts were authorised, which require any adjustments to these accounts.

7. Contributions Receivable

By Category

2014-15 £000		2015-16 £000
94,462	Employers – normal	94,664
1,516	Employers – special	293
0	Employers – augmentation	1
1,823	Employers – strain	2,946
26,455	Members – normal	27,014
798	Members – purchase of additional scheme benefits	707
125,054		125,625

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.

2014-15 £000		2015-16 £000
28,599	Deficit recovery contribution included in employers normal contributions	27,499
28,599		27,499

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

2014-15 £000		2015-16 £000
51,465	Administering authority	53,895
45,197	Other scheduled bodies	45,851
8,561	Community admission bodies	6,240
2,892	Transferee admission bodies	2,874
16,939	Resolution bodies	16,765
125,054		125,625

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:

2014-15 £000		2015-16 £000
8	Strain instalments due after the Net Asset Statement date	113
8		113

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 2016.

8. Transfers In From Other Pension Funds

2014-15 £000		2015-16 £000
5,255	Individual transfers	5,130
5,255		5,130

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.

2014-15 £000		2015-16 £000
7,698	HMCS total present value	6,530
7,698		6,530

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 £6.5 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

2014-15 £000		2015-16 £000
96,794	Pensions	100,846
24,040	Commutation and lump sum retirement benefits	20,984
1,007	Lump sum death benefits	3,686
121,841		125,516

By Authority

2014-15 £000		2015-16 £000
58,724	Administering authority	58,765
44,790	Other scheduled bodies	46,798
5,332	Community admission bodies	5,689
2,928	Transferee admission bodies	3,443
10,067	Resolution bodies	10,821
121,841		125,516

10. Payments To and On Account of Leavers

2014-15 £000		2015-16 £000
82,097	Group Transfers	7,239
74	Refunds to members leaving service	165
5,512	Individual transfers	5,232
87,683		12,636

The 2014-15 Group Transfers figure represents the regulatory transfer of all active, deferred and pensioner members to the Greater Manchester Pension Fund. The 2015-16 Group Transfers figure includes three transfers out of all active, deferred and pensioner members to the Royal Borough of Kingston Upon Thames Pension Fund, Cambridgeshire County Council Pension Fund and the London Pension Fund Authority.

11. Management Expenses

Pension fund management expenses for 2015-16 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).

2014-15 £000		2015-16 £000
1,754	Administrative costs	1,766
13,208	Investment management expenses	13,371
522	Oversight and governance costs	537
15,484		15,674

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

2014-15 £000		2015-16 £000
3,780	Income from fixed interest securities	6,327
20,011	Equity dividends	20,872
13,010	Pooled Property investments	14,059
10,207	Pooled fund income - unit trusts and other managed funds	14,097
4,878	Private equity income	3,698
5,651	Pooled funds rebate	5,963
142	Stock lending	112
61	Interest on cash deposits	98
36	Property (note 12a)	36
44	Other	39
57,820		65,301

12a. Property Income

2014-15 £000		2015-16 £000
36	Rental income	36
0	Direct operating expenses	-1
36	Net income	35

13. Taxes on Income

2014-15 £000		2015-16 £000
268	Withholding tax - equities	248
18	Withholding tax – pooled investments	9
286		257

14. Investment Expenses

2014-15 £000		2015-16 £000
6,348	Management fees – invoiced ad valorem	6,724
1,747	Management fees – invoiced performance	1,056
1,215	Management expenses on unit trusts	1,306
3,111	Private Equity – fund of fund fees	3,509
0	Direct Property	1
120	Custody fees	55
50	Derivative commission fees	39
617	Transaction Costs	681
13,208		13,371

15. Investments

Market Value 31 March 2015 £000		Market Value 31 March 2016 £000
Investment assets		
123,987	Fixed Interest Securities	0
821,867	Equities	787,143
1,306,655	Pooled Investments	1,499,620
339,470	Pooled property investments	378,335
193,353	Private equity Partnerships	183,489
454	Property	444
5,630	Derivatives - forward currency	3,238
58,766	Cash deposits	36,068
54,472	Amounts receivable for sales	4,835
87,000	Prepayment of Investment Balances	0
2,991,654	Total investment assets	2,893,172
Investment liabilities		
-653	Derivatives – futures	0
-3,060	Derivatives - forward currency	-4,442
-57,567	Amounts payable for purchases	-1,418
-61,280	Total investment liabilities	-5,860
2,930,374	Net investment assets	2,887,312

15a. Reconciliation of Movements in Investments and Derivatives 2015-16

	Market value 31 March 2015 £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 2016 £000
Fixed interest securities	123,987	8,077	-128,140	-3,924	0
Equities	821,867	231,091	-216,474	-49,341	787,143
Pooled investments	1,306,655	566,211	-380,160	6,914	1,499,620
Pooled property investments	339,470	67,598	-49,561	20,828	378,335
Private equity	193,353	31,450	-65,421	24,107	183,489
Property	454	0	0	-10	444
	2,785,786	904,427	-839,756	-1,426	2,849,031
Derivative contracts:					
- Futures	-653	1,185	-474	-58	0
- Forward currency contracts	2,570	167,453	-139,048	-32,179	-1,204
	1,917	168,638	-139,522	-32,237	-1,204
Other investment balances:					
- Cash deposits	58,766			-52,382	36,068
- Amount receivable for sales of investments	54,472				4,835
- Prepayment of investment Balances	87,000				0
- Amount payable for purchases of investments	-57,567				-1,418
Net investment assets	2,930,374			-86,045	2,887,312

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
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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 2015-16	£681,000
Transaction costs incurred during 2014-15	£617,000

15b. Analysis of Investments

31 March 2015 £000		31 March 2016 £000
Fixed Interest Securities		
UK		
74,273	Corporate quoted	0
Overseas		
0	Public sector quoted	0
49,714	Corporate quoted	0
123,987		0
Equities		
UK		
266,803	Quoted	264,232
Overseas		
555,064	Quoted	522,911
821,867		787,143
Pooled Funds - additional analysis		
UK		
764,598	Unit trusts	694,837
235,131	Unitised insurance policies	226,367
110,150	Other managed funds	381,788
1,109,879		1,302,992
Overseas		
196,776	Unit trusts	196,628
196,776		196,628

31 March 2015 £000		31 March 2016 £000
339,470	Pooled property investments	378,335
193,353	Private equity	183,489
454	Direct Property	444
5,630	Derivatives - forward currency	3,238
538,907		565,506
58,766	Cash deposits	36,068
54,472	Amounts receivable for sales	4,835
87,000	Prepayment of Investment Balances	0
200,238		40,903
2,991,654	Total investment assets	2,893,172
Investment liabilities		
-653	Derivatives – futures	0
-3,060	Derivatives - forward currency	-4,442
-57,567	Amounts payable for purchases	-1,418
-61,280	Total investment liabilities	-5,860
2,930,374	Net investment assets	2,887,312

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. Henderson did not hold any futures contracts in its portfolio at 31 March 2016 (2015 nil). Similarly M&G were also required to hedge 100% of the non-Sterling currency exposure (Euro) within its fixed interest portfolio. The M&G portfolio was restructured during this financial year and as a result M&G no longer hold any futures contracts or undertake currency hedging on behalf of the Fund.

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 were required to hedge 100% of the non-Sterling currency exposure (Euro) within its fixed interest holdings, until the portfolio was restructured during this financial year.

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 2015 £000	Economic Exposure £000	Market Value 31 March 2016 £000
Assets					
UK fixed interest	Less than 1 year	0	0	0	0
Total assets			0		0
Liabilities					
UK fixed interest	Less than 1 year	-91,185	-653		0
Total liabilities			-653		0

There are no balances in respect of initial and variation margins arising on open futures contracts at the year-end included within cash balances (2015 £1,782,000).

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	£	8,282	AUD	-17,199	0	-914
Up to one month	£	98,228	EUR	-126,323	0	-1,974
Up to one month	£	75,875	JPY	-12,312,259	0	-379
Up to one month	£	308,771	\$	-440,643	2,210	0
Up to one month	EUR	80,996	£	-63,219	1,028	0
Up to one month	JPY	8,446,279	£	-52,498	0	-186
Up to one month	\$	130,161	£	-91,543	0	-989

Open forward currency contracts at 31 March 2016

3,238 **-4,442**

Net forward currency contracts at 31 March 2016

-1,204

Prior year comparative

Open forward currency contracts at 31 March 2015

5,630 **-3,060**

Net forward currency contracts at 31 March 2015

2,570

At the 31st March 2016, cash totalling £610,000 (nil 2014/15) was held by the Fund as collateral against gains on its Forward foreign Currency contracts with Berenberg Bank. The cash was held in an HSBC account and is not included in the asset figures for the fund.

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
£	<i>British pound (Sterling)</i>
\$	<i>United States dollar</i>
AUD	<i>Australian dollar</i>
EUR	<i>Euro</i>
JPY	<i>Japanese yen</i>

15b. Investments Analysed by Fund Manager

Market Value 31 March 2015			Market Value 31 March 2016		
£000	%		£000	%	
551,627	18.81	Fidelity	484,519	16.77	
359,862	12.28	Aviva Investors	381,609	13.22	
311,410	10.63	Henderson Global Investors	364,915	12.64	
284,040	9.69	Capital International Ltd	277,905	9.63	
237,622	8.11	Baillie Gifford & Co	231,013	8.00	
235,131	8.02	Legal & General Investment Management	226,367	7.84	
215,246	7.35	M&G	217,544	7.53	
182,590	6.23	Wellington International	173,428	6.01	
180,256	6.15	Sarasin & Partners	171,990	5.96	
166,080	5.67	Goldman Sachs Asset Management	167,805	5.81	
114,751	3.92	HarbourVest Partners	120,940	4.19	
78,234	2.67	SL Capital Partners	62,555	2.17	
12,493	0.43	Global Custodian*	6,400	0.22	
-1,519	-0.05	Berenberg Bank *	1,341	0.05	
2,551	0.09	Insight Investment (Pareto)*	-1,019	-0.04	
2,930,374	100.00		2,887,312	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		Market Value	
	31 March 2015 £000	Percentage of total fund %	31 March 2016 £000	Percentage of total fund %
Legal & General UK Equity Index Fund	234,360	7.9	225,576	7.8
M&G Alpha Opportunities Fund	0	0	210,670	7.3
Goldman Sachs Global Strategic Income Bond Portfolio (SIF)	166,080	5.6	167,805	5.8
Fidelity Institutional Exempt America Fund	167,217	5.7	162,186	5.6
Fidelity Institutional Europe Fund	150,174	5.1	146,613	5.1

During the year no individual investment (a single security) exceeded 5% of the total value of the net assets. Five pooled holdings (four in 2014-15) 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 2016 the Legal and General UK Equity Index Fund held 653 (2015 642) stocks compared with the 641 (2015 642) stocks in the equity index that it tracks (FTSE all-share).
- As at 31 March 2016 the M&G Alpha Opportunities Fund has 415 positions, across 327 issuers.
- During 2015-16 the fund transitioned from the Goldman Sachs STAR Fund into the Goldman Sachs SIF Fund. The SIF fund held 1,089 individual positions at 31 March 2016.
- The underlying holdings of the Fidelity Institutional Exempt America Fund comprised 165 stocks at 31 March 2016 (2015 160).
- The Fidelity Institutional Europe Fund comprised 63 holdings at 31 March 2016 (2015 64).

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 2016:

Holding/Investment Type	Market Value 31 March 2016 £000	Percentage of asset class %
Pooled investments		
Legal & General UK Equity Index Fund	225,576	15.04%
M&G Alpha Opportunities Fund	210,670	14.05%
Goldman Sachs Global Strategic Income Bond Portfolio	167,805	11.19%
Fidelity Institutional Exempt America Fund	162,186	10.82%
Fidelity Institutional Europe Fund	146,613	9.78%
Henderson Long Dated Credit Fund	138,375	9.23%
Fidelity Institutional Japan Fund	81,536	5.44%
Pooled property investments		
Industrial Property Investment Fund	34,855	9.21%
Standard Life Pooled Property Fund	32,589	8.61%
Blackrock UK Property Fund	32,554	8.60%
Aviva Investors Pensions Property Fund	32,295	8.54%
Threadneedle Property Unit Trust	25,417	6.72%
West End of London Property Unit Trust	22,793	6.02%
Henderson Central London Office Property	22,412	5.92%
Private equity		
Harbourvest VIII Cayman Buyout Fund	35,650	19.43%
Harbourvest VIII Cayman Venture Fund	24,115	13.14%
Standard Life European Strategic 2008	24,046	13.10%
Standard Life European Strategic 2004	19,177	10.45%
Standard Life European Strategic 2006	17,122	9.33%
Harbourvest IX Cayman Buyout Fund	14,267	7.78%
Harbourvest IX Cayman Venture Fund	11,624	6.34%
Direct Property		
Hamlin Way, King's Lynn	444	100.00%

15c. Stock Lending

	31 March 2016 £000	31 March 2015 £000
Value of quoted equities on loan	10,742	6,280
Fair value of collateral held by Custodian	11,595	6,636
Collateral relative to stock on loan (percentage coverage)	108%	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 (HSBC).

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

The maximum value of stock that may be on loan is £150m and an individual borrower limit (applied at the parent borrower level) of £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 2016 £000	Value on loan at 31 March 2015 £000
UK Equities	4,644	886
Overseas Equities	6,098	5,394

At 31 March 2016, securities were on loan to 5 separate borrowers representing 5 parent groups. The largest single parent exposure was 51% of the lending programme.

15d. Property Holdings

Details of the Funds directly owned properties are as follows:

Year Ending 31 March 2015 £000	Year Ending 31 March 2016 £000
454	454
0	0
0	0
0	0
0	-10
454	444

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

Designated as fair value through profit and loss £000	31-Mar-15 Loans and receivables £000	Financial liabilities at amortised cost £000		Designated as fair value through profit and loss £000	31-Mar-16 Loans and receivables £000	Financial liabilities at amortised cost £000
Financial assets						
123,987			Fixed Interest Securities	0		
821,867			Equities	787,143		
1,306,655			Pooled Investments	1,499,620		
339,470			Pooled Property	378,335		
193,353			Private equity	183,489		
5,630			Derivative contracts	3,238		
	60,553		Cash		38,836	
146,140			Other investment balances	9,290		
	46		Debtors		98	
2,937,102	60,599	0		2,861,115	38,934	0
Financial liabilities						
-3,713			Derivative contracts	-4,442		
		-5,834	Creditors			-5,476
-57,567			Other Investment Balances	-1,418		
-61,280	0	-5,834		-5,860	0	-5,476
2,875,822	60,599	-5,834		2,855,255	38,934	-5,476

16b. Net Gains and Losses on Financial Instruments

31 March 15 £000		31 March 16 £000
Financial assets		
478,844	Fair value through profit and loss	82,680
0	Loans and receivables	0
0	Financial liabilities measured at amortised cost	0
Financial liabilities		
-162,956	Fair value through profit and loss	-168,715
0	Loans and receivables	0
0	Financial liabilities measured at amortised cost	0
315,888	Total	-86,035

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

Private Equity

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

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

Pooled Property

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

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 2016	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
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Financial assets

Financial assets at fair value through profit and loss	2,299,291	0	561,824	2,861,115
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Loans and receivables	38,934	0	0	38,934
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Total financial assets	2,338,225	0	561,824	2,900,049
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Financial liabilities

Fair value through profit and loss	-5,860	0	0	-5,860
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Financial liabilities at amortised cost	-5,476	0	0	-5,476
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Total financial liabilities	-11,336	0	0	-11,336
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Net financial assets	2,326,889	0	561,824	2,888,713
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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
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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
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Total financial assets	2,464,878	0	532,823	2,997,701
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Financial liabilities

Fair value through profit and loss	-61,280	0	0	-61,280
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Financial liabilities at amortised cost	-5,834	0	0	-5,834
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Total financial liabilities	-67,114	0	0	-67,114
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Net financial assets	2,397,764	0	532,823	2,930,587
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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 2016-17 reporting period:

Asset Type	Potential Market Movements (+/-) %
UK Equities including pooled	10.85%
Overseas Equities including pooled	9.62%
UK Bonds including pooled	7.17%
Index Linked Gilts including pooled	9.19%
Bonds including pooled	6.42%
Cash and Cash Equivalents (Including Payables and Receivables)	0.01%
Pooled & Direct Property Investments	2.83%
Private Equity	8.32%
Total	6.04%

* 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 2016 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash and Cash Equivalents including payables and receivables	38,282	0.01%	38,286	38,278
Investment Portfolio Assets:				
UK Equities including pooled	499,454	10.85%	553,645	445,263
Overseas Equities including pooled	1,036,253	9.62%	1,135,941	936,565
UK Bonds including pooled	61,191	7.17%	65,578	56,804
Index Linked Gilts including pooled	63,086	9.19%	68,884	57,288
Bonds including pooled	626,778	6.42%	667,017	586,539
Pooled & Direct Property Investments	378,779	2.83%	389,498	368,060
Private Equity	183,489	8.32%	198,755	168,223
Total Assets Available to Pay Benefits	2,887,312	6.04%	3,061,706*	2,712,918*

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*

* 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 2016 and 31 March 2015 is set out below. These disclosures present interest rate risk based on the underlying financial assets:

Asset Type	Value as at 31 March 2016 £000	Value as at 31 March 2015 £000
Investment Cash Balances	36,068	58,766
Cash in hand	2,768	1,787
Total	38,836	60,553

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 2016 £000	Change in year in the net assets available to pay benefits	
		+100 BPS £000	-100 BPS £000
Investment Cash Balances	36,068	361	-361
Cash in hand	2,768	28	-28
	38,836	389	-389

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 3.45% 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 3.45% 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 2016 £000	Change to net assets available to pay benefits	
		+3.45%	-3.45 %
		£000	£000
Overseas Equities (including pooled equity funds where underlying assets are non-Sterling denominated)	1,036,253	35,751	-35,751
Private Equity	183,489	6,330	-6,330
Change in net assets available to pay benefits		42,081	-42,081

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) 31 st March 2016	Balances at 31 March 2016 £000	Short term Rating (S&P) 31 st March 2015	Balances at 31 March 2015 £000
Bank Deposit Accounts				
Barclays Bank PLC	A-2	1,373	A-1	1,092
HSBC	A-1+	1,374	A-1+	1,092
Bank Current Accounts				
Barclays Bank (Co-op Bank 2014/15 part 2015/16)	A-2	10	Not rated by S&P – Fitch B	5
Total		2,757		2,189

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 2016 comprise £38.4 million (£49.5m) deposited with AAA rated money market funds, -£2.3 million (+£7.5m) overdrawn with the custodian HSBC as a result of a timing difference on pending trade (rated A-1+), £0 million (£1.8m) posted to a variation margin account held by Royal Bank of Scotland (rated A-3).

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 2016 (2015 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 2016 £000	Percentage of Total Fund Assets %	Balances at 31 March 2015 £000	Percentage of Total Fund Assets %
562,268	19.5	533,277	18.2

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 2016 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 valuation took place as at 31 March 2013. The valuation as at 31 March 2016 is currently underway. The results of the March 2016 Valuation will be available for 31 March 2017.

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.

	<i>Funded %</i>	<i>Deficit £ millions</i>
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:

<i>Year</i>	<i>Employers Contribution Rates (% of actual pensionable pay)</i>
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 FRS102 (previously FRS17) or IAS19. For the avoidance of doubt this approach will result in a different valuation of liabilities than the methodology employed at the triennial funding valuation.

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

In order to assess the value of the benefits on this basis, the Fund Actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see note 18).

	31 March 2016 £000	31 March 2015 £000
Actuarial present value of promised retirement benefits	4,162,000	4,451,000

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

Assumptions Used	31 March 2016 %	31 March 2015 %
Inflation/Pension Increase Rate Assumption	2.20	2.40
Salary Increase Rate	3.20	3.30
Discount Rate	3.50	3.20

20. Current Assets

31 March 2015 £000		31 March 2016 £000
Cash In Hand		
1,787	Cash In Hand**	2,768
Debtors:		
2,163	Contributions due - employees*	1,964
6,912	Contributions due - employers*	8,215
11	Employers special contributions	13
562	Augmentation & strain due	1,033
3,175	Dividends receivable**	2,973
1,480	Pooled funds rebate due**	1,461
163	UK tax receivable	215
743	Overseas tax receivable	572
469	VAT refund due	390
3	Interest due**	3
10	Stock lending/commission recapture**	18
30	Recharge of fees**	34
2	Prepayments	1
16	Sundry **	64
15,739	Debtors	16,956
17,526	Current Assets	19,724

*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 2015 £000		31 March 2016 £000
Long term debtors:		
8,406	Employer contributions	5,532
8	Augmentation & strain due	113
8,414		5,645

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 2016 £000
9,076	Central government bodies	7,707
6,288	Other local authorities	6,026
8,789	Other entities and individuals	8,868
24,153		22,601

21. Current Liabilities

31 March 2015 £000		31 March 2016 £000
Creditors:		
22	Transfer values payable (leavers)	363
596	Benefits payable	1,009
3,568	Investment Management Fees**	3,224
2,253	Other Fees & Charges**	2,242
992	UK Taxation payable	1,035
13	Sundry creditors**	10
7,444		7,883

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

Analysis of Creditors

31 March 2015 £000		31 March 2016 £000
1,004	Central government bodies	1,035
2,120	Other local authorities	2,399
4,320	Other entities and individuals	4,449
7,444		7,883

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 2015 £000		Market Value 31 March 2016 £000
5,161	Separately Invested AVC Funds	4,904

2014-15 £000		2015-16 £000
372	AVC contributions paid directly during the year	387

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.

	2014-15 £000	2015-16 £000
Norfolk County Council incurred administration and Investments costs reimbursed by the Fund	2,120	2,036
Norfolk County Council Employer Contributions	38,145	40,359

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.

	2014-15 £000	2015-16 £000
Average investment balance held by NCC Treasury Management Operation	7,212	8,170
Interest earned on balances invested by NCC Treasury Management Operation	40	38

Governance

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

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

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

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
Executive Director of Finance (S George)	2015-16	£99,200	0	0	£99,200	£15,400	£114,600
Interim executive Director of Finance (P Timmins)	2015-16	£28,860	0	0	£28,860	N/A	£28,860
Interim executive Director of Finance (P Timmins)	2014-15	£182,300	0	0	£182,300	N/A	£182,300

* Peter Timmins was the Interim Executive Director of Finance until Mr George was appointed on 25 May 2015. Mr Timmins remained until 29 May to ensure a smooth handover. The sum shown against Mr Timmins represents the fee paid to secure his services and is not salary.

24. Contractual Commitments

Outstanding Capital Commitments	31 March 2015 £000	31 March 2016 £000
Private equity partnerships	84,098	140,255
Property investment vehicles	22,400	11,500

At 31 March 2016 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 2016 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 potentially includes Sterling, Australian Dollar and US Dollar denominated commitments, currently one unfunded commitment in USD as at 31st March 2016. 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 one employer following the 2010 Valuation. This agreement allows the employer to extend their deficit recovery periods and therefore reduce the contributions immediately payable in return for providing additional security to the Fund. In the event that the employer that is party to the agreement fails to pay contributions due to the Fund at any point in the future these charges may be invoked. The total charge on one property is £0.233 million (£0.233 million). There are no new agreements resulting from the 2013 Valuation.

26. Agency Contracted Services

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

31 March 2015 £000		31 March 2016 £000
1,343	Norfolk County Council	1,311
1,217	Norwich City Council	1,206
267	North Norfolk District Council	265
258	Borough Council of Kings Lynn & West Norfolk	250

31 March 2015 £000		31 March 2016 £000
212	Great Yarmouth Borough Council	205
108	Broadland District Council	108
105	Breckland District Council	103
63	South Norfolk District Council	60
153	Other	131
3,726		3,639

Appendices

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

Major Scheduled Bodies

- Borough Council of King's Lynn & West Norfolk
- Broadland District Council
- Norfolk Chief Constable
- North Norfolk District Council
- NPS Property Consultants Ltd
- Breckland Council
- Great Yarmouth Borough Council
- Norfolk County Council
- Norwich City Council
- South Norfolk District Council

Scheduled and Resolution Bodies

- Acle Academy
- Admirals Academy
- All Saints Academy
- Antingham & Southrepps Community Primary School
- Attleborough High School Academy
- Aylsham Town Council
- Belton with Browston Parish Council
- Bradwell Parish Council
- Broads Authority
- Buxton With Lamas Parish Council
- Castle Acre Church of England Primary School
- Cherry Tree Academy Marham Junior
- Cherry Tree Academy Marham Infant
- City College Norwich
- Clenchwarton Primary School
- Cliff Park Schools Trust Ltd
- Colkirk Church of England Primary School
- Costessey Infant School (Academy)
- Costessey Town Council
- Cromer Academy Trust
- Dereham Church of England Junior Academy
- Dersingham Parish Council
- Diss High School (Academy)
- Acle Parish Council
- Alive Management Ltd
- Anthony Curton Primary School
- Arden Grove Infant and Nursery Academy
- Attleborough Town Council
- Beighton Parish Council
- Blofield Parish Council
- Broads (2006) Internal Drainage Board
- Brundall Parish Council
- Caister Academy
- Cawston Parish Council
- Cherry Tree Academy Trust Marham
- City Academy Norwich
- City of Norwich School
- Cliff Park Ormiston Academy
- Cobholm Primary Academy
- College of West Anglia
- Costessey Junior School (Academy)
- Cringleford Parish Council
- Cromer Town Council
- Dereham Town Council
- Diamond Academy
- Diss Town Council

- Ditchingham Church of England Primary Academy
- Downham & Stow Bardolph Internal Drainage Board
- Downham Market Town Council
- Duchy of Lancaster Methwold Church of England Primary
- East of Ouse, Polver & Nar Internal Drainage Board
- Eastgate Academy
- Eaton Hall Specialist Academy
- Edith Cavell Academy
- Fakenham Academy Norfolk
- Filby Primary School
- Flitcham Church of England Primary Academy
- Garvestone, Remerston and Thuxton Parish Council
- Gooderstone Church of England Primary Academy
- Great Witchingham Church of England Primary School
- Great Yarmouth Norse
- GYB Services Ltd
- Heart Education Trust
- Hellesdon High School Academy
- Hemblington Parish Council
- The Hewett Academy
- Hindolveston Parish Council
- Hockering Primary Academy
- Hunstanton Town Council
- Inspiration Trust
- Kettlestone Parish Council
- King's Lynn Academy
- King's Lynn Internal Drainage Board (Water Management Alliance)
- Lingwood and Burlingham Parish Council
- Little Snoring Parish Council
- Lynn Grove High School (Academy)
- Marshland St. James Primary School
- Martham School Trust
- Diocese of Norwich Education and Academies Trust (formerly Diocese of Norwich Multi-Academy Trust)
- Downham Market Academy
- Drayton Parish Council
- East Norfolk Sixth Form College
- Eastern Inshore Fisheries and Conservation Authority
- Easton and Otley College
- Eaton Primary School
- Engage Educational Services
- Fakenham Town Council
- Flegg High School
- Framingham Earl Parish Council
- Gillingham St Michael's Primary
- Great Snoring Parish Council
- Great Yarmouth College of Further Education
- Great Yarmouth Primary Academy
- Harling Parish Council
- Heartsease Primary Academy
- Hellesdon Parish Council
- Hethersett Academy
- Hilgay Riverside Academy
- Hobart High School Academy
- Holt Town Council
- Icen Academy
- Jane Austin College
- King Edward VII Academy
- King's Lynn Internal Drainage Board
- Kirby Cane and Ellingham Parish Council
- Lingwood Primary Academy
- Loddon Parish Council
- Marshland High School
- Martham Parish Council
- Mattishall Parish Council

- Middleton Primary School
- Mundford Church of England Primary
- Narborough Church of England Primary Academy
- NCS Transport Ltd
- Norfolk Educational Services (NES)
- Norfolk Rivers Internal Drainage Board
- Norse Care Limited
- Norse Commercial Services
- North Walsham Town Council
- Northrepps Parish 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
- Rackheath Parish Council
- Reepham High School and College
- Runcton Holme Church of England Primary School
- Sculthorpe Church of England Primary School
- Sheringham High School (Academy)
- Short Stay School for Norfolk
- Snettisham Parish Council
- South Wootton Parish Council
- Southery & District Internal Drainage Board
- Sporle Church of England Primary School
- Sprowston Town Council
- St Clements HS Academy
- St Mary's Church of England Junior School (Academy)
- St Peter & St Paul Carbroke Church of England Primary Academy
- Stalham Academy
- Stalham Town Council
- Moorlands Church of England Primary Academy
- Nar and St Clement's Children's Centre
- NCS (Assistive Technology)
- Nelson Academy
- Norfolk Police and Crime Commissioner
- Norman Church of England Primary School
- Norse Care Services
- Norse Eastern
- Northgate High School
- 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
- Redenhall with Harleston Town Council
- Right for Success Academy Sponsorship Trust
- Saxlingham Nethergate Parish Council
- Sewell Park Academy
- Sheringham Town Council
- Sir Isaac Newton Free School
- Snettisham Primary School
- Southery Academy
- Spixworth Parish Council
- Springwood High School Academy Trust
- St Andrews Primary School
- St Martin at Shouldham Church of England Primary Academy
- St Michael's Church of England Academy (King's Lynn)
- St Peters Church of England Primary Academy
- Stalham High School
- Stradbroke Primary

- Suffolk Coastal Services
- Swaffham Town Council
- Tasburgh Parish Council
- Taverham Parish Council
- 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 Raynham VC Primary School
- Woodlands Primary Academy
- Wymondham Academy College
- Wymondham Town Council
- Swaffham Church of England Junior School
- Swanton Morley Parish Council
- Taverham High School
- Ten Mile Bank Community Primary School
- 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
- West Lynn Primary
- Whitefriars Church of England Primary Academy
- Wormegay Primary
- Wymondham High Academy
- University Technical College Norfolk

Admitted Bodies

- 4Children
- Action for Children (Hethersett)
- Action for Children (Wells)
- Alive Leisure Trust
- Biffa Municipal Ltd
- Circle Anglia Limited
- Edwards and Blake (Neatherd High)
- Flagship Housing Group
- Great Yarmouth Community Trust
- Great Yarmouth Port Company
- Hethel Innovation Ltd
- Kier Support Services
- Lafarge Tarmac
- New Anglia Enterprise Council Partnership (Local Enterprise Partnership)
- Norwich Airport Limited
- Pre – School Learning Alliance (Thorpe)
- Saffron Housing Trust Limited
- Serco Government Services
- The Matthew Project
- Action for Children (Dereham)
- Action for Children (Thorpe)
- Age UK Norfolk
- Anglia Maintenance Services
- Childhood First
- Edwards and Blake
- Edwards and Blake (Nicholas Hammond)
- Freebridge Community Housing Ltd
- Great Yarmouth Port Authority
- Great Yarmouth Racecourse Ltd
- Independence Matters
- Konectbus Ltd
- Mid Norfolk Citizens Advice Bureau
- Norfolk Heritage Fleet Trust
- Pre – School Learning Alliance (Milestones)
- RM Education
- Sentinel Leisure Trust
- Stonham
- 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 254 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 2016
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 on going members training programme, and related expenses.

- b That where such a policy exists it applies equally to all members of committees, sub-committees, advisory panels or any form of secondary forum.

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. Hymans Robertson - In depth review of the Pension Funds Strategic Allocation, Scheme Funding and Risk Management; DCLG - Discuss current issues including Structural Reform, Governance and Taxation Changes; HarbourVest - Investment in Private Equity and illiquid asset structure; Berenberg - Role of Risk in an Investment Portfolio and implications of the economic outlook for Pension Fund Management. 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. Pensions Oversight Board (Local Pension Board) equal employer /scheme member membership.

Principle G – Access

	Not compliant*				Fully compliant
A					√

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

All committee members have equal access to committee papers, documents and advice.

Minutes of Committee Meetings are published on Norfolk County Councils website:

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

Principle H – Scope

	Not compliant*				Fully compliant
A					√

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

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

Principle I – Publicity

	Not compliant*				Fully compliant
A					√

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

The Norfolk Pension Funds Governance Statement and Communication and Customer Care Strategy are published on the Funds' website www.norfolkpensionfund.org, and included within the Pension Fund Annual Report (which is also published on our website), with hard copies of each available on request. Employers are reminded via the Employers Forum and Employers Newsletters that there is an observer seat at Committee for Employers not directly represented. Scheme Members receive an annual booklet with news of the Funds performance, legislative changes and other relevant pension's news, and are invited to a formal annual meeting. Retired members are invited to the annual retired members' events, and also receive an annual newsletter. All scheme members and employers were invited to stand for membership of the Pensions Oversight Board (Local Pensions Board).

Appendix V – Actuarial Statement for 2015-16 by Hymans Robertson LLP

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

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 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 Taxpayer 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 and will converge to a long term rate of 1.25% p.a.

Based on these assumptions, the average future life expectancies at age 65 are as follows:

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

*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

Experience has been worse than expected since the last formal valuation (excluding the effect of any membership movements). Real bond yields have fallen placing a higher value on liabilities. The effect of this has been partially offset by the effect of strong asset returns. Funding levels are therefore likely to have worsened slightly and deficits increased slightly over the period.

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 22 April
2016

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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.