



# Norfolk Pension Fund

## Annual Report and Accounts 2016-17



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Cover image of Happisburgh Lighthouse by kind permission of [www.tournorfolk.co.uk](http://www.tournorfolk.co.uk)

## Introduction

I am delighted to return to the Pensions Committee this year and as Chairman, introduce the 2016/7 Annual Report and Statement of Accounts, together with Nicola Mark, Head of the Norfolk Pension Fund.

Local government pensions continue to be important and significant. Membership of the scheme is a significant investment for scheme members and employers alike. The average pension in payment may only be around £5,000 but nonetheless it can transform the later lives of those who have delivered public services in their working life.

It has been fascinating for me to see the developments and changes that have taken place since I last served on this committee. The ground breaking national changes (the introduction of the new state pension, auto enrolment, NEST, the Freedom and Choice agenda, Fair Deal etc) have significant implications for individuals, employers and the industry alike. The reform of public service pensions, particularly the Local Government Pension Scheme (LGPS) has seen the introduction of the 2014 Career Average scheme and significant governance reforms, including the National Scheme Advisory Board, Local Pension Boards and the additional public service oversight and powers given to the Pensions Regulator.

These reforms are important and necessary, to modernise and help ensure that public service pensions remain affordable and sustainable. For similar reasons the significant reshaping of the delivery of local government services is also critical. These reforms don't happen in isolation of each other; neither do they make life simpler for our scheme members, our employers, or indeed us as scheme administrators.

The other significant national reform is the Governments investment pooling agenda. The Norfolk Pension Fund is working in partnership with 10 other like-minded Administering Authorities in the ACCESS group (A Collaboration of Central, Eastern and Southern Shires), to meet the Governments criteria for pooling, to reduce costs whilst maintaining investment performance. Together with the other ACCESS Funds, we have entered in an Inter Authority Agreement to strategically drive this forward and help secure greatest benefit for the participating Funds.

Through all these reforms however the overriding responsibility of the Pensions Committee and Fund Officers remains unchanged, which is to oversee and deliver all aspects of the investment management and administration of the Norfolk Pension Fund on behalf of, and for the benefit of all its stakeholders.

As Pensions Committee and Officers of the Norfolk Pension Fund we are ever mindful of our responsibilities to our 85,000 scheme members, 320+ active employers and the local tax payer. Therefore our planning and decision making is always clearly focussed on working together to deliver the best outcomes for all our stakeholders.



We know that pensions remain 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.

Therefore the Norfolk Pension Fund remains absolutely committed to effectively and efficiently engaging with and supporting our scheme members and employers alike to understand the LGPS, in order that they are able to make well informed and timely decisions – ever more important against the ongoing backdrop of reform. We will 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.

We continue to lead the National LGPS Frameworks project, ‘By the LGPS, for the LGPS’. This project, which leverages the LGPS’s combined purchasing power and provides efficient, best practice access to services via OJEU compliant procurement frameworks, has delivered savings in excess of £30 million to date, and continues to respond to the needs of the LGPS Funds and Pools.

Unlike other Public Sector funds the LGPS is a funded scheme. When I was last on the Committee in 2005, the Fund had assets of £1.3 billion; at the end of March 2017 we had assets of £3.4 billion. During a challenging and uncertain year for financial markets, the Funds diversified investment portfolio has performed well delivering substantial investment returns totalling more than £500m. In the last year we have paid pension benefits to our members of £127 million.

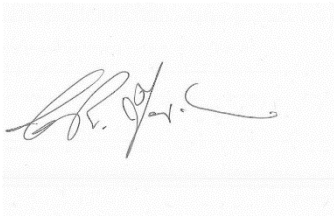
To help all employers achieve the best possible funding outcome, we will be moving from a single to a small number of investment strategies, allowing us to better match the strategy with the diversity of employer profiles within the Norfolk Pension Fund.

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](http://www.norfolkpensionfund.org) together with our quarterly voting reports.

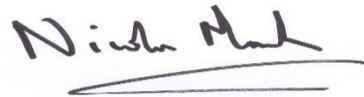
The LGPS is a national scheme and we continue to take a leading role nationally. Both Councillor Fuller and Nicola sit on the National Scheme Advisory Board, and Councillor Waters (our Vice Chairman) and Nicola sit on the Local Government Pensions Committee (LGPC).

We appreciate and value the commitment and contribution of the Pensions Oversight Board (our Local Pension Board), who have worked alongside both the committee and officers over the last year, to help secure the efficient and effective management of the scheme in the interests of all our scheme members and employers. We must also put on record our thanks to 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.

Finally, may we take this opportunity to formally record our sincere thanks and appreciation to the outgoing members of Pensions Committee, Councillor Law (the outgoing Chairman), and Councillors Virgo, Ramsbotham and Bradnock, for their tremendous commitment and contributions during their tenure on Pensions Committee, helping ensure that the Norfolk Pension Fund continues to move strongly forward in order to meet the current and future needs of its employers and scheme members.



Cllr Cliff Jordan  
Chairman of the Pensions Committee

A handwritten signature of Nicola Mark in black ink, with the name 'Nicola Mark' written in a cursive style and underlined.

Nicola Mark, MBE  
Head of the Norfolk Pension Fund

## Contact Us

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Services Manager

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Enquiries about pension benefits: Norfolk Pension Fund

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Post: Norfolk Pension Fund  
5<sup>th</sup> Floor, Lawrence House  
5 St Andrews Hill  
Norwich  
NR2 1AD

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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](http://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

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<b>Administering Authority:</b>	Norfolk County Council (NCC) County Hall Martineau Lane Norwich, NR1 2DW
<b>Scheme Administrator:</b>	Simon George, Executive Director of Finance and Commercial Services (NCC)
<b>Norfolk Pension Fund Officers:</b>	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
<b>Legal Advisors:</b>	nplaw (Norfolk Public Law)
<b>Fund Custodian:</b>	HSBC
<b>Fund Actuary:</b>	Hymans Robertson LLP
<b>Investment Advisor:</b>	Hymans Robertson LLP
<b>Fund Managers:</b>	Aviva Investors Berenberg Bank Baillie Gifford & Co Capital International Limited Fidelity Pensions Management HarbourVest Partners Henderson Global Investors (please note from 30 May 2017 name changed to Janus Henderson Investors) Goldman Sachs Asset Management Legal & General Investment Management M&G Investments Insight Investment (Pareto) Management Sarasin & Partners SL Capital Partners (Standard Life) Wellington
<b>Bankers:</b>	Barclays Bank
<b>Fund Auditor:</b>	EY
<b>Performance Measurement:</b>	State Street GS Performance Services PLC/BNP Paribas



## AVC Providers:

Clerical Medical  
Prudential  
Equitable Life (legacy only)

# The Local Government Pension Scheme

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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 2016-17.

## The LGPS in brief

- The LGPS is one of the largest public sector pension schemes in the UK with 5.3 million members England and Wales in 2016
- 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 91 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](http://www.norfolkpensionfund.org) or [www.lgpsmember.org](http://www.lgpsmember.org)



# Governance

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

## Pensions Committee

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

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

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

### **Pensions Committee Membership**

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

#### **Employer Representatives:**

<b>Norfolk County Council</b>	Debbie Beck
<b>Non levying/precepting employers</b>	Vacant
<b>Poringland Parish Council</b>	Cllr Chris Walker

#### **Scheme Member Representatives:**

<b>Active/deferred member</b>	John Harries
<b>Pensioner member</b>	Brian Wigg
<b>Trade union</b>	Rachel Farmer

#### **Other attendees:**

<b>Head of the Norfolk Pension Fund &amp; Scheme Manager</b>	Nicola Mark
<b>Business Development &amp; Project Manager</b>	Jo Quarterman
<b>Chief Investment Manager</b>	Glenn Cossey
<b>Pension Fund Investment &amp; Actuarial Services Manager</b>	Alex Younger
<b>Pensions Manager</b>	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.

In 2016, members also attended 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. This included meeting Hymans Robertson for an in-depth review of the Fund's Triannual Valuation 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](http://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](http://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](http://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
- Investment Strategy Statement
- 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

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This is the Annual Report of the Norfolk Pension Fund Pensions Oversight Board, covering the period from 1 April 2016 to 31 March 2017.

## 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 Terms of Reference for the Norfolk Pension Fund Pensions Oversight Board (Local Pension Board) are available on the Norfolk Pension Fund's website:

[www.norfolkpensionfund.org/about-us/local-pension-board](http://www.norfolkpensionfund.org/about-us/local-pension-board)

Membership of the Pensions Oversight Board is 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



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

Membership of the Board during the period April 2016 to March 2017 was as follows:

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

On behalf of my colleagues on the Board we would like to gratefully acknowledge the significant contribution made to the successful establishment of the Pensions Oversight Board by Mr Laurie Rainger.

### **Pensions Oversight Board Meetings**

The Pensions Oversight Board has formally met 3 times during the year - in June and October 2016, and January 2017, and also in March 2017 for a dedicated Knowledge and Skills day.

In addition to these meetings, POB Members have attended as observers each of the Pensions Committee meetings between April 2016 and March 2017.

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

- Effectiveness of Pensions Oversight Board terms of reference and arrangements
- The cost of investing assets

- Investment pooling
- Fund Communication: effectiveness and efficiency of engagement with scheme members
- Fund Communication: effectiveness and efficiency of engagement with scheme employers
- The Norfolk Pension Fund Breaches of the Law policy
- The Triennial evaluation process

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

Attendance at POB meetings was 67%.

### **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. The Board set aside a day in March to further collectively develop their knowledge and skills. 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**

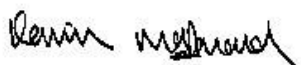
In accordance with its Terms of Reference, the Pensions Board must undertake an annual review to assess its performance. The outcome was reported to Pensions Committee in December 2016. After carefully reviewing the existing arrangements for the operation of the Pensions Board the Board agreed that these were working well and that no changes were required to the Board's term of reference.

In addition, in 2016, the Pensions Oversight Board was required to review the Chairman's reciprocal arrangement and provide a recommendation to Pensions Committee. The Board considered the reciprocal arrangements for Charing currently in place with the Essex

Pension Fund. Recognising that the arrangement would need to be reviewed if circumstances changed which made for a conflict of interests, the Board supported and recommended the continuation of the current arrangement. This was accepted by 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'.

**Kevin McDonald**

**Chairman of the Norfolk Pension Fund Pensions Oversight Board**

**28 July 2017**

# Scheme Administration

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## 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 Firefighters 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 2015-16 (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	97.4%	85.4%
Letter detailing transfer-out quote	10 days	89.1%	80.3%
Process refund and issue payment voucher	5 days	97.3%	89.6%
Letter notifying <b>estimate</b> of retirement benefit	10 days	98.5%	89.9%
Letter notifying <b>actual</b> retirement benefit	5 days	99.7%	84.1%
Process and pay lump sum retirement grant	5 days	99.7%	84.3%
Letter acknowledging death of member	5 days	85.6%	94.3%
Letter notifying amount of dependant's benefits	5 days	85.6%	88.1%
Calculate and notify deferred benefits	10 days	97.8%	68.8%

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.

Some feedback that we received from the Retired Members Forum included comments such as "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 2016-17 are detailed in the chart below:

	2012-13		2013-14		2014-15		2015-16		2016-17	
Joining	1	3.8%	2	7.0%	2	7.0%	2	7.0%	2	7.0%
Leaving	1	3.8%	0	0.0%	2	7.0%	2	7.0%	2	7.0%
Total staff (FTE)	26.5		28.5		28.5		28.5		28.5	
LGPS Admin Staff (FTE)	20		22		22		22		22	
Members per Staff (FTE)	3541		3405		3546		3760		3905	
Staff to member ratio	1:177		1:155		1:161		1:171		1:178	

(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.

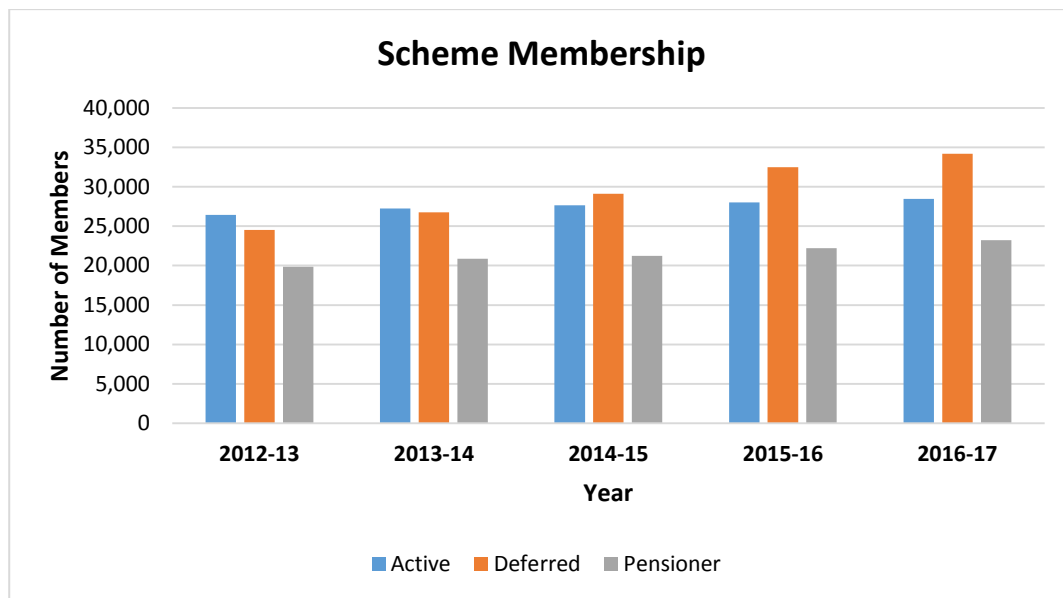
## **Internal Dispute Resolution Procedure**

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](http://www.norfolkpensionfund.org).

There were no IDRPs logged against Norfolk Pension Fund during 2016-17.

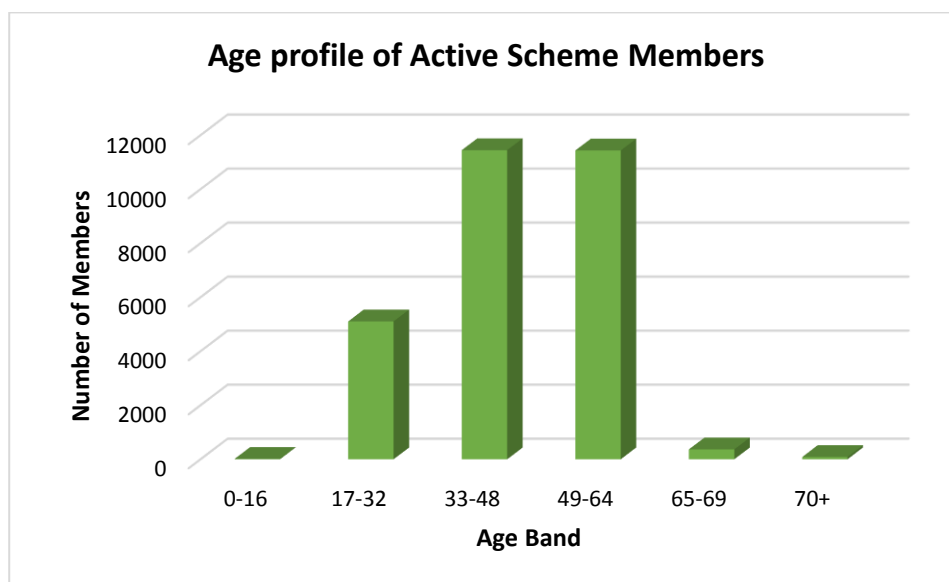
## Analysis of Membership



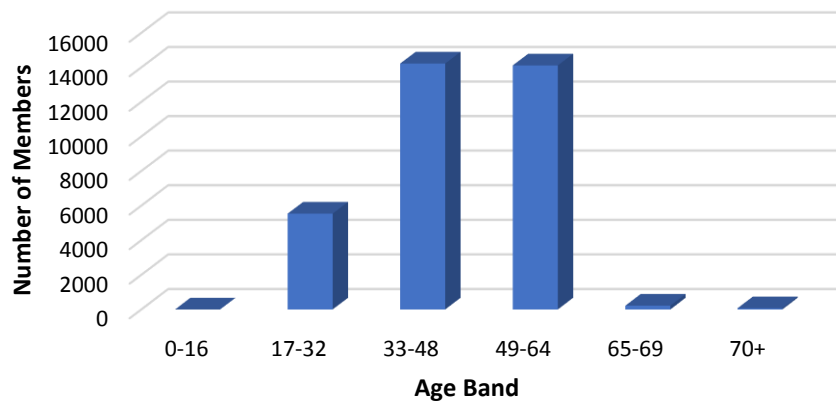
	2012-13	2013-14	2014-15	2015-16	2016-17
<b>Active</b>	26,439	27,254	27,638	28,030	28,469
<b>Deferred</b>	24,535	26,776	29,125	32,477	34,216
<b>Pensioner</b>	19,851	20,877	21,247	22,215	23,220
<b>Total</b>	<b>70,825</b>	<b>74,907</b>	<b>78,010</b>	<b>82,722</b>	<b>85,905</b>

## Age Profile

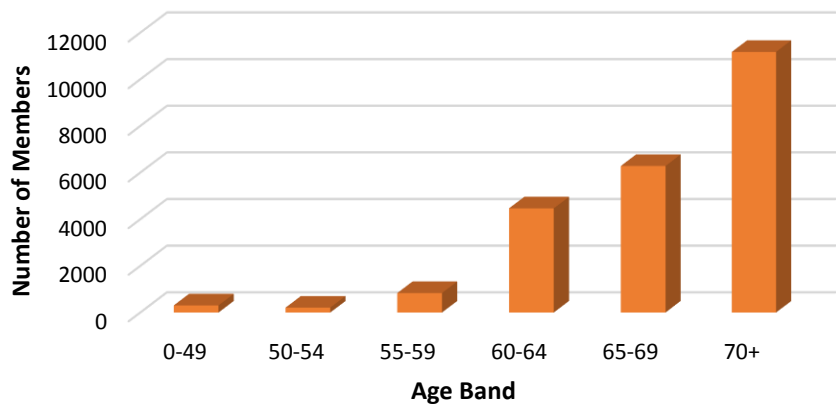
The following charts show the age profile of active, deferred and retired scheme members.



### Age profile of Deferred Scheme Members

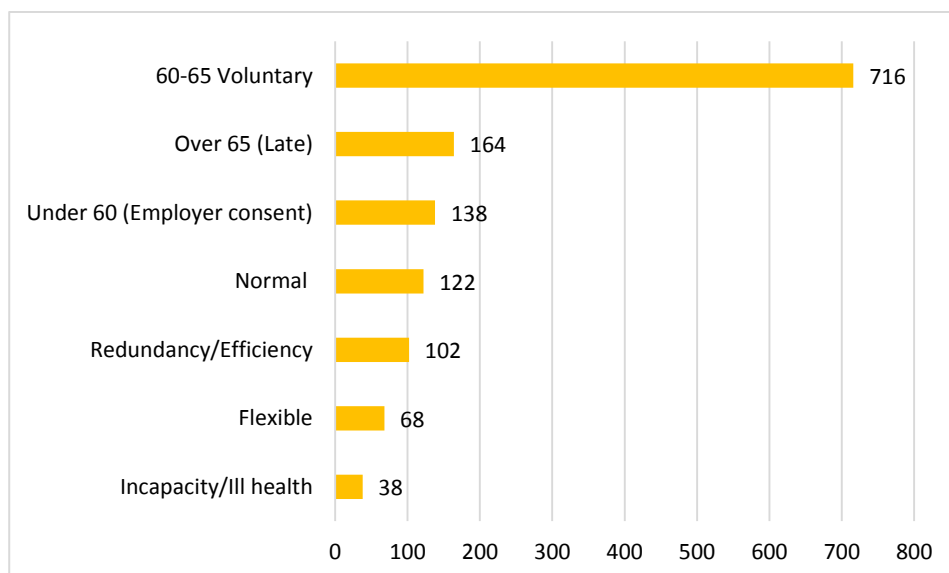


### Age profile of Retired Scheme Members



## Breakdown of Retirements

1,348 scheme members retired in 2016-17, broken down as shown below.



## Risk Management

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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](http://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

## Breaches of the Law

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In accordance with the Pensions Regulator Code of Practice no 14 *Governance and administration of public service pension schemes*, the Norfolk Pension Fund maintains a Breaches of Law policy.

There have been no reportable breaches of law in respect of the Norfolk Pension Fund during 2016-17.

## Myners Compliance

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

A summary of our level of compliance is included in our **Investment Strategy Statement** which is available online at [www.norfolkpensionfund.org/about-us/investment/](http://www.norfolkpensionfund.org/about-us/investment/)



# Communications

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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](http://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.

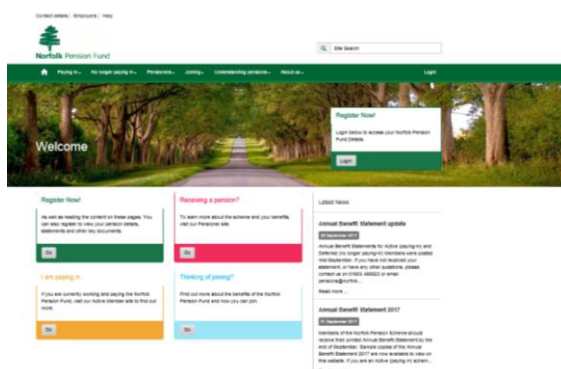
## Online services

We have our own website at [www.norfolkpensionfund.org](http://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

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The Norfolk Pension Fund prepares an Annual Budget which is reviewed and approved by the **Pensions Committee**. Details of the expenditure incurred during 2016-17 are provided in the accounts section accompanying this report.

There were no notifiable late payments of contributions by scheme employers during 2016-17. All contributions outstanding at 31 March 2017 were collected within statutory timeframes.

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

## Investment Policy and Performance

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### Fund Performance Review for the year 2016-17

#### Introduction

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

During 2016-17 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)
- Janus Henderson (fixed income, absolute return fixed income and multi-asset credit)
- Legal & General Investment Management (UK equities - passive)
- M&G (absolute return fixed income and distressed debt)
- Sarasin & Partners (global equities)
- SL Capital Partners (Standard Life) (European and global secondary focused private equity)
- Wellington (global equities)

The global custodian is HSBC.

There were no changes to the strategic asset allocation during the year. Given the strong performance of equity markets and relative weakness of Sterling during the year rebalance flows continued from overseas equities primarily to fixed income investments.

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

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

### **Subsequent Changes**

In August 2017 the Fund terminated its arrangements with Sarasin & Partners. At this time Insight began running a segregated government bond mandate that will be used as a source of collateral for currency hedging instruments in response to a changing regulatory environment.

During 2017-18 the Fund has begun to move to multiple investment strategies (initially three) for participating employers. As part of this exercise the core (main) strategy has continued the trend established over a number of valuation cycles to reduce the equity allocation of the Fund and increase the allocation to yield driven (fixed income) investments.

As part of the Government agenda towards pooling LGPS assets the Fund continues to work closely with its ten partners in ACCESS. Together the group holds more than £40billion in pension assets. During 2017-18 the Pool has carried out an exercise to jointly review its arrangements for passive investment management with the intention of appointing a single provider later in 2017-18 to maximise the economic advantage of the combined buying power of the funds through contractual pooling. The current provider of passive services to the Norfolk Pension Fund is Legal & General, which will be reviewed as part of this work.

Pooling remains 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.

### **2016-17 Investment Results**

Financial markets generally enjoyed strong returns in 2016-17 despite, or perhaps because of, significant geo-political events during the year. In absolute terms the Fund's investment

assets returned over 17% in the 12 months to 31 March 2017, pleasingly ahead of the benchmark. These returns were lead by overseas equities, where valuation advances were boosted by Sterling weakness when reported by UK based investors but nearly all the investment assets were in significantly positive territory. The return over the more meaningful three and five year time periods is also ahead of benchmark after all fees and charges. Over both these longer periods the Fund has returned around 10% per annum. This is comfortably ahead of the long term requirements of the actuarial valuation model. Behind these numbers there continues to be considerable volatility between asset classes and quarters.

There is some evidence of a trend towards improving performance against benchmark. This reflects the pro-active changes that the Pensions Committee have made over the last few years. The reduction in equity exposure has continued to reduce overall investment risk in the portfolio.

The performance on the individual active fund managers was mixed over the last twelve months. In the equity space only Capital added significant value (substantially exceeded benchmark performance net of fees) over the period. Baillie Gifford and Wellington had flat years relative to the benchmark (in the case of Baillie Gifford following a number of years of significant outperformance), while the performance of Fidelity and Sarasin was a short term disappointment. The performance of the fixed income managers over the year was generally encouraging, particularly for the M&G and Janus Henderson (MAC) mandates.

Longer term the equity mandates managed by Fidelity and Baillie Gifford continue to show healthy outperformance but the other active equity mandates have struggled to deliver consistent outperformance, although a positive trend maybe emerging for Capital after some lack lustre years. The absolute and relative returns from property have been a disappointing in a year when most investments have performed well. In common with the multi-manager industry generally Aviva have struggled to add value.

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. To maintain the programme we have continued to make new investment commitments through the year primarily with HarbourVest. It has continued to

be pleasing to receive early cash returns on some of the secondary investments made by the Fund, which has mitigated the “J-curve” often seen in these programmes.

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

<b>% Return</b>	<b>2016-17 % per annum</b>	<b>3 Years % per annum</b>	<b>5 Years % per annum</b>
Total Fund Return	17.3	9.8	10.0
Fund Benchmark Return	16.6	9.7	9.6

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

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

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

### **Triennial Valuation**

The most recent triennial valuation of the Fund at 31 March 2016 was completed during 2016-17 in accordance with regulatory requirements.

A full 2016 Triennial Valuation report, including formal actuarial commentary, is available on our website at [www.norfolkpensionfund.org](http://www.norfolkpensionfund.org).

The next Triennial Valuation will be undertaken at 31 March 2017.

## **Investment Market Review to 31 March 2017**

### **Introduction**

This commentary provides an overview of performance and major events in global financial markets for the three year period ended 31 March 2017, whilst focusing in particular on the latest 12 months.

### **Review of Global Financial Markets**

Most major asset classes delivered strong positive returns over the 12 months to 31 March, buoyed by signs of improving economic growth in many areas. Equities performed particularly well, most notably for sterling investors, who benefitted from the translation effect of a weaker pound boosting the returns of overseas assets. Several stock market indices hit new all-time highs, including those in the UK and US. This encouraging outcome for equities was in spite of some challenging periods as the spotlight fell on significant and, by and large unexpected, political changes in the West.

In the US the main focus was on the Presidential election campaign, culminating in Donald Trump's inauguration in January. The surprise election result saw equities and the dollar exchange rate move higher, with the incoming President's policies focusing heavily on further bolstering the US economy. In the latter part of 2016, the US Federal Reserve announced they would be raising interest rates for only the second time in a decade, from 0.5% to 0.75%. This was followed by a second such rise in March, reflecting the continued pick up in the US economy.

In Japan, Prime Minister Shinzo Abe's government claimed an election victory in July before announcing a substantial 4.6 trillion yen economic stimulus package, including funding for welfare and infrastructure, as he pushed forward with his economic reform programme.

Having previously stepped up bond purchases as part of their quantitative easing (QE) efforts to rekindle economic growth, towards the end of 2016 the European Central Bank started to pare this back as eurozone economic growth looked to be improving, albeit remaining at modest levels.

Closer to home, a significant development in the UK was Brexit, with the June 2016 referendum vote to leave the EU. This unexpected result led to increased market volatility in the immediate aftermath, but the UK stockmarket subsequently performed well. Perhaps the most notable impact was on sterling which fell sharply following the result – reaching a 31-year low against the US dollar – and has failed to show any significant recovery since. In the wake of Brexit, later in the summer the Bank of England announced measures to further stimulate growth in the UK economy, including a cut in interest rates to a new record low of 0.25%. At the end of the review period, as anticipated, the UK



government initiated the formal withdrawal process from the EU, with this due to be completed in 2019.

Fortunes were mixed for the economies of the Emerging Markets. Slowing growth, collapsing commodity prices and currency sell-offs had all previously negatively affected sentiment, as had a range of political factors in Brazil and South Africa. However, over the course of the past year a subsequent recovery in the price of oil and other commodities helped drive returns and Emerging Market equities performed well, in line with other overseas regions.

Fixed interest markets also delivered good returns, with inflationary pressures subdued in most regions and interest rates remaining low. UK Index-Linked bonds (the returns of which are adjusted for inflation so that bond holders receive a 'real return') did particularly well, supported by continuing strong demand from domestic Pension Funds and, in this case, inflationary expectations in the UK picking up as a consequence of sterling's depreciation placing upwards pressure on imported goods and services inflation.

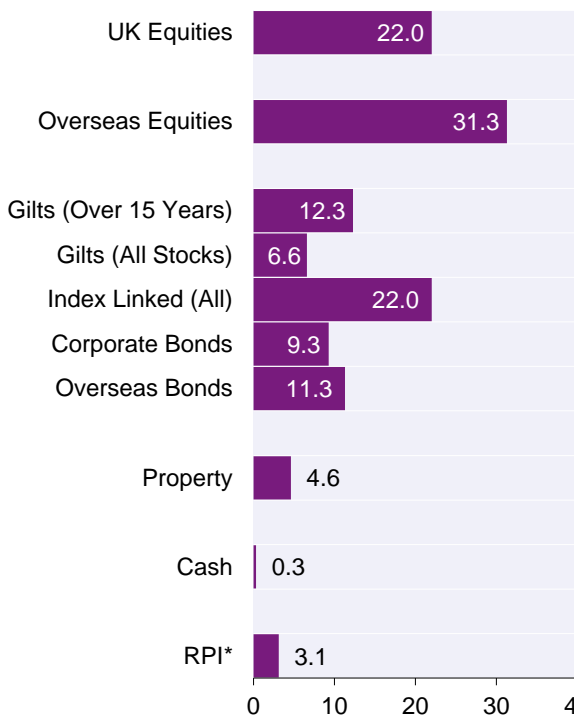
UK commercial property remained in demand despite sentiment towards the asset class waning in the immediate aftermath of the Brexit vote. It rose in value by almost 5% over the year, less than many of the other asset classes, though it remains a strong performer over the past three years.

There are, as always, still a number of important issues facing financial markets in the months ahead. As recent developments in the US and elsewhere have amply demonstrated, predicting the outcome of these potentially seismic political and economic events is fraught with difficulty. Given the very strong returns from many of the major asset classes in the past 12 months, not unreasonably, many investors will be looking for the support of continued economic improvement and further progress in corporate profits in order to sustain the welcome uptick in sentiment.

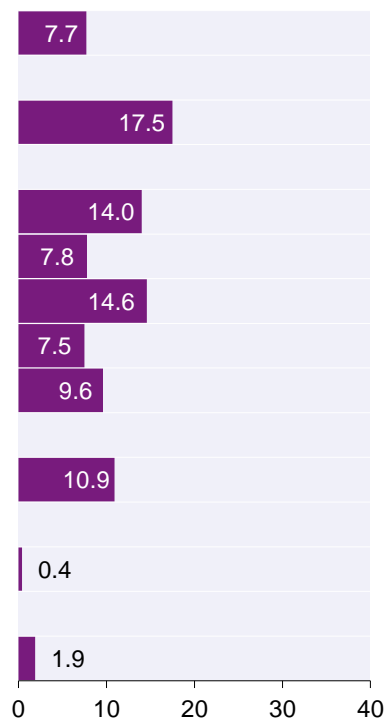
The returns on the main asset classes over the 12 months and three years are illustrated in the charts on the following page.

## Returns for World Markets to 31 March 2017

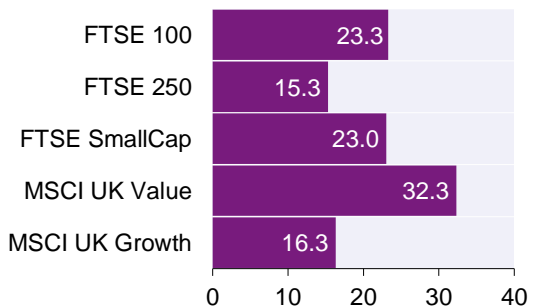
Major Classes – 12 Months (%)



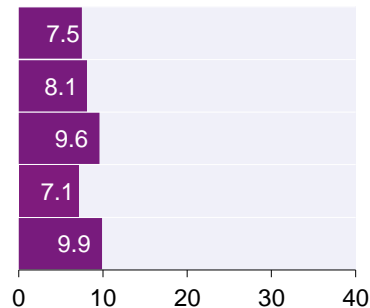
Major Classes – 3 Years (% p.a.)



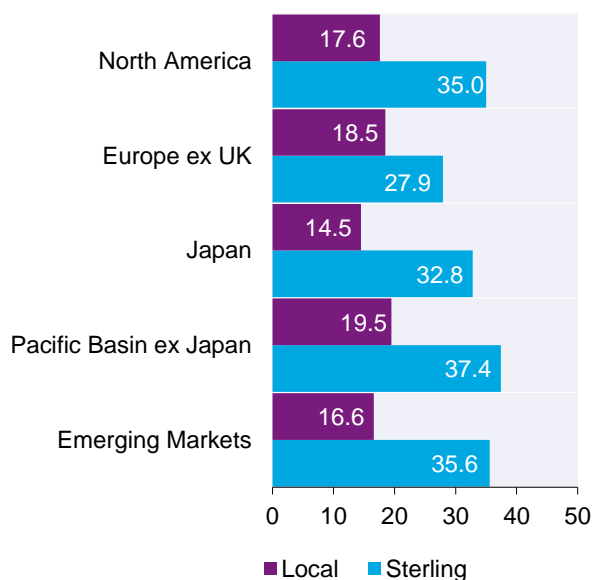
UK Market – 12 Months (%)



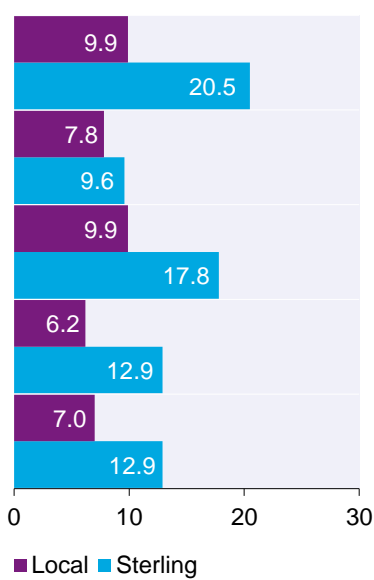
UK Market – 3 Years (% p.a.)



Overseas Equities – 12 Months (%)



Overseas Equities – 3 Years (% p.a.)



\*Estimate

Source: Baillie Gifford & Co, Thomson Reuters, and relevant underlying index provider(s).

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## 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 100
FTSE 250	FTSE 250
FTSE SmallCap	FTSE SmallCap
MSCI UK Value	MSCI UK Value

MSCI UK Growth

MSCI UK Growth

### Overseas Equities

North America

MSCI North America

Europe ex UK

MSCI Europe ex UK

Japan

MSCI Japan

Pacific Basin ex

Japan

MSCI Pacific ex Japan

Emerging Markets

MSCI Emerging Markets

# National Representation and Involvement

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Our officers work closely with the Department for Communities and Local Government (DCLG) and the Pensions Regulator (the scheme regulators), the Scheme Advisory Board (SAB) and the Local Government Pensions Committee (LGPC), in order to contribute to the development of the LGPS.

Councillor John Fuller (Norfolk Pension Fund Committee member) and Nicola Mark (Head of the Norfolk Pension Fund) both sit on the National Scheme Advisory Board: Cllr Fuller representing non-administering authorities; and Nicola Mark as the elected practitioner representative.

Councillor Alan Waters (Norfolk Pension Fund Committee Vice Chair) and Nicola Mark are members of the Local Government Pensions Committee (LGPC).

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

The Norfolk Pension Fund is a member of the Pensions and Lifetime Savings Association (PLSA), which helps us contribute to the national pensions' debate. Nicola Mark sits on the PLSA Council and also the DB Taskforce.

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.

In her capacity as SAB practitioner representative, Nicola Mark attends the Cross Pool Steering Group; and Nigel Keogh represents the National LGPS Frameworks.

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

Norfolk Pension Fund officers regularly attend and speak at various seminars and conferences, with the purpose of continuing their professional development, maintain knowledge levels and contribute to the development of the LGPS and the wider pensions industry.





**Norfolk Pension Fund**

## **2016-17 Statement of Accounts**

# Statement of Responsibilities

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## The Authority's Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director of Finance and Commercial Services;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the statement of accounts.

## The Executive Director of Finance and Commercial Services Responsibilities

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

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

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

The Executive Director of Finance and Commercial Services has also:

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

## Certificate by the Executive Director of Finance and Commercial Services

I certify the statement of accounts set out on pages 44 to 108 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 2017.

Signed:



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

Date: 21 September 2017



# Independent Auditor's Report

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## Independent Auditor's Report to the Members of Norfolk Pension Fund

### **Opinion on the pension fund financial statements**

We have audited the pension fund financial statements for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of Norfolk Pension Fund 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 Commercial Services and the auditor**

As explained more fully in the Statement of Responsibilities of the Executive Director of Finance and Commercial Services set out on page 13, the Executive Director of Finance and Commercial Services is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director of Finance and Commercial Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of

Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2017 and the amount and disposition of the fund's assets and liabilities as at 31 March 2017; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

### **Opinion on other matters**

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we report by exception**

We report to you if:

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

We have nothing to report in these respects.

*T Gilbert*

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

Date: 22 September 2017

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

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

# Revenue and Fund Account

For the year ended 31 March 2017

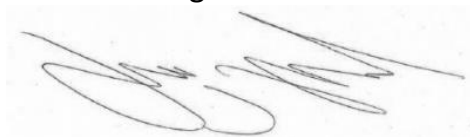
2015-16 £000		Notes	2016-17 £000
<b>Dealings with members, employers and others directly involved in the Fund</b>			
125,625	Contributions	7	129,919
5,130	Transfers in from other pension funds	8	7,961
<b>130,755</b>			<b>137,880</b>
-125,516	Benefits	9	-127,124
-12,636	Payments to and on account of leavers	10	-4,576
<b>-138,152</b>			<b>-131,700</b>
<b>-7,397</b>	<b>Net additions/withdrawals from dealings with members</b>		<b>6,180</b>
-15,674	Management Expenses	11	-17,183
<b>-23,071</b>	<b>Net additions/withdrawals from dealings with members Including Fund Management Expenses</b>		<b>-11,003</b>
<b>Returns on investments</b>			
65,301	Investment income	12	61,663
-257	Taxes on income	13a	-272
-86,045	Profit and losses on disposal of investments and changes in the market value of investments	15a	474,061
<b>-21,001</b>	<b>Net return on investments</b>		<b>535,452</b>
<b>-44,072</b>	<b>Net increase/decrease in the net assets available for benefits during the year</b>		<b>524,449</b>
<b>2,948,870</b>	<b>Opening net assets of the scheme</b>		<b>2,904,798</b>
<b>2,904,798</b>	<b>Closing net assets of the scheme</b>		<b>3,429,247</b>

# Net Assets Statement

As at 31 March 2017

2015-16 £000		Notes	2016-17 £000
2,893,172	Investment assets	15	3,414,886
-5,860	Investment liabilities	15	-5,484
<b>2,887,312</b>			<b>3,409,402</b>
5,645	Long term debtors	20	4,541
<b>5,645</b>			<b>4,541</b>
	<b>Current Assets</b>		
16,956	Debtors	20	16,535
2,768	Cash in hand	20	6,233
<b>19,724</b>			<b>22,768</b>
	<b>Current Liabilities</b>		
-7,883	Creditors	21	-7,464
<b>-7,883</b>			<b>-7,464</b>
<b>11,841</b>	<b>Net current assets</b>		<b>15,304</b>
<b>2,904,798</b>	<b>Net assets of the Fund available to fund benefits at the period end</b>		<b>3,429,247</b>

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 Commercial Services and Fund Administrator

Date:

21 September 2017

# Notes to the Accounts

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## 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 2016-17 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

### a) General

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

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

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

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

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

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

## b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Norfolk Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector

There are currently 322 employer organisations with active members in the Norfolk Pension Fund including Norfolk County Council as detailed below. This is an increase of 60 employers since 31st March 2016.

	31 March 2016	31 March 2017
<b>Number of Employers with Active Members</b>	<b>262</b>	<b>322</b>
<b>Full membership including employers with deferred and legacy pension commitments</b>		
<b>Number of Employees in Scheme</b>		
Norfolk County Council	14,655	13,606
Other Employers	13,375	14,863
<b>Total</b>	<b>28,030</b>	<b>28,469</b>
<b>Number of Pensioners</b>		
Norfolk County Council	11,618	12,080
Other Employers	10,597	11,140
<b>Total</b>	<b>22,215</b>	<b>23,220</b>
<b>Deferred Pensioners</b>		
Norfolk County Council	19,486	19,946
Other Employers	12,991	14,270
<b>Total</b>	<b>32,477</b>	<b>34,216</b>

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"> <li>1. 4Children</li> <li>2. Bradwell Parish Council</li> <li>3. Great Yarmouth Community Trust</li> </ol>	<ol style="list-style-type: none"> <li>1. Aslacton Primary School</li> <li>2. Banham Community Primary School</li> <li>3. Barford &amp; Wramplingham PC</li> <li>4. Barnham Broom Parish Council</li> <li>5. Bawdeswell Community Primary School</li> <li>6. Beeston Primary School</li> <li>7. Bishop's Primary School</li> <li>8. Blenheim Park Primary School</li> <li>9. Bunwell Primary School</li> <li>10. Caterlink (CNS)</li> <li>11. Cawston Primary School</li> <li>12. Charles Darwin Primary School</li> <li>13. Cranworth Parish Council</li> <li>14. Dussindale Primary School</li> <li>15. East City Childrens Centre</li> <li>16. Edward Worlledge Primary School</li> <li>17. Edwards &amp; Blake (Wymondham Academy)</li> <li>18. Edwards &amp; Blake (Caister Academy)</li> <li>19. Edwards &amp; Blake (Marham Infant)</li> <li>20. Edwards &amp; Blake (Reepham High)</li> <li>21. Firside Junior School</li> <li>22. Garrick Green Academy School</li> <li>23. Garvestone Primary School</li> <li>24. Glebeland Primary School</li> <li>25. Grove House Nursery and Infant</li> <li>26. Heacham Infant School</li> <li>27. Heacham Junior School</li> <li>28. Henderson Green Primary Academy</li> <li>29. Hillside Avenue Primary and Nursery School</li> <li>30. Hoveton Parish Council</li> <li>31. King's Park Infant School</li> <li>32. Lodge Lane Infant School</li> <li>33. Manor Field Infant Nursery School</li> <li>34. Marlingford and Colton Parish Council</li> <li>35. Neatherd High School</li> <li>36. New Buckenham Parish Council</li> <li>37. Newton Flotman Parish Council</li> <li>38. North Wootton Community School</li> <li>39. Old Buckenham Primary School</li> <li>40. Ovington Parish Council</li> </ol>



Employers ceasing to have active employees in the Fund:	Employers joining the active section of the Fund:
	<ul style="list-style-type: none"> <li>41. Reepham Primary School</li> <li>42. Reepham Town Council</li> <li>43. Rudham Church of England Primary School</li> <li>44. Scoulton Parish Council</li> <li>45. Smithdon High School</li> <li>46. South Walsham Parish Council</li> <li>47. St Augustine's Catholic Primary School</li> <li>48. St Edmunds Academy</li> <li>49. St Francis of Assisi Catholic Primary School</li> <li>50. St Mary &amp; St Peter Catholic Primary School</li> <li>51. Strumpshaw Parish Council</li> <li>52. Thorpe St Andrew School and 6th Form</li> <li>53. Trafalgar College</li> <li>54. Upwell Community Primary School</li> <li>55. Valley Primary Academy</li> <li>56. Walpole Cross Keys Primary School</li> <li>57. Walsingham Parish Council</li> <li>58. Watton Town Council</li> <li>59. Watton Westfield Infant &amp; Nursery School</li> <li>60. Weasenham Church of England Primary School</li> <li>61. Winterton on Sea Parish Council</li> <li>62. Wroughton Infant Academy</li> <li>63. Wroughton Junior Academy</li> </ul>

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 2017, 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 and 2017-18.

<b>Actual Pensionable Pay 2016-17</b>	<b>Contribution rate per year</b>	<b>Actual Pensionable Pay 2017-18</b>	<b>Contribution rate per year</b>
Up to £13,600	5.5%	Up to £13,700	5.5%
£13,601 to £21,200	5.8%	£13,701 to £21,400	5.8%
£21,201 to £34,400	6.5%	£21,401 to £34,700	6.5%
£34,401 to £43,500	6.8%	£34,701 to £43,900	6.8%
£43,501 to £60,700	8.5%	£43,901 to £61,300	8.5%
£60,701 to £86,000	9.9%	£61,301 to £86,800	9.9%
£86,001 to £101,200	10.5%	£86,801 to £102,200	10.5%
£101,201 to £151,800	11.4%	£102,201 to £153,300	11.4%
More than £151,800	12.5%	More than £153,301	12.5%

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

The March 2016 valuation set the rates payable by employers for the period 1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2020. Excluding lump sum deficit recovery payments these rates range from 0% to 35.0% of actual pensionable pay.

#### d) Benefits

Pension benefits under the LGPS (until March 2014) were based on final pensionable pay and length of pensionable service. From 1<sup>st</sup> 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 1/49<sup>th</sup>.

	Membership before April 2008	Membership April 2008 to March 2014	Membership from April 2014
<b>Pension</b>	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
<b>Lump Sum</b>	Automatic lump sum of 3 x salary	No automatic lump sum	No automatic lump sum
<b>Additional Lump sum</b>	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 2017 is 1.0% (-0.1% April 2016).

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 2016-17 financial year and its position at year-end as at 31 March 2017. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, are disclosed in accordance with the requirements of International Accounting Standard (IAS) 26. Full details of this approach are disclosed at note 19 of these accounts.

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

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

## **3. Summary of Significant Accounting Policies**

### **Fund Account - Revenue Recognition**

#### **a) Contribution income**

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

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

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

## **b) Transfers to and from other schemes**

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

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

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

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

## **c) Investment income**

### **i) Interest income**

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

### **ii) Dividend income**

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

### **iii) Distributions from pooled funds**

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

### **iv) Property-related income**

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

### **v) Movement in the net market value of investments**

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

## Fund Account - Expense Items

### d) Benefits payable

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

### e) Taxation

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

### f) Management expenses

#### i) Administrative expenses

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

#### ii) Oversight and Governance Costs

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

#### iii) Investment Management Expenses

All investment management expenses are accounted for on an accruals basis. Fund Manager fees are broadly based on the market value of the assets under management and therefore increase or reduce as the value of these investments change. Fees payable to external investment managers and the custodian are in accordance with the contractual agreements with the Fund. In addition the Fund has agreements with the following managers that an element of their fee is performance related:

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

	2015-16 £000	2016-17 £000
Performance-related fees	1,056	528

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.

	2015-16 £000	2016-17 £000
Value of fees based on estimates	3,224	2,579

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

## Net Assets Statement

### g) Financial assets

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

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

### h) Freehold and leasehold properties

The direct property holding was valued as at 31 March 2016. The direct property holding is valued every 3 years at the year-end date in line with the triennial valuation of the Fund. The valuation is performed by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition). The next valuation will be as at 31 March 2019.

**i) Foreign currency transactions**

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

**j) Derivatives**

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

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

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

**k) Cash and cash equivalents**

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

**l) Financial liabilities**

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

**m) Actuarial present value of promised retirement benefits**

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

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



**n) Additional voluntary contributions (AVCs)**

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

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

**o) Accounting Standards issued but not yet adopted**

The 2016-17 and 2017-18 Code of Practice on Local Authority Accounting lists a number of accounting standards that have been issued but not yet adopted. Having considered all the standards the Fund has determined there is no material impact on the accounts and no additional disclosure is required.

**p) Contingent Assets and contingent liabilities**

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

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

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

## 4. Critical Judgements in Applying Accounting Policies

### Unquoted private equity investments

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

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Norfolk Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation guidelines, which follow the valuation principles of IFRS and US GAAP. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

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

	2015-16 £000	2016-17 £000
Value of unquoted private equity	183,489	205,619

### 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.	<p>CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:</p> <table> <tr> <th>Sensitivity to the assumptions for the year ended 31 March 2017</th><th>Approximate % increase to liabilities</th><th>Approximate monetary amount (£m)</th></tr> <tr> <td>0.5% p.a. increase in the Pension Increase Rate</td><td>8%</td><td>383</td></tr> <tr> <td>0.5% p.a. increase in the Salary Increase Rate</td><td>2%</td><td>99</td></tr> <tr> <td>0.5% p.a. decrease in the Real Discount Rate</td><td>10%</td><td>490</td></tr> </table>	Sensitivity to the assumptions for the year ended 31 March 2017	Approximate % increase to liabilities	Approximate monetary amount (£m)	0.5% p.a. increase in the Pension Increase Rate	8%	383	0.5% p.a. increase in the Salary Increase Rate	2%	99	0.5% p.a. decrease in the Real Discount Rate	10%	490
Sensitivity to the assumptions for the year ended 31 March 2017	Approximate % increase to liabilities	Approximate monetary amount (£m)												
0.5% p.a. increase in the Pension Increase Rate	8%	383												
0.5% p.a. increase in the Salary Increase Rate	2%	99												
0.5% p.a. decrease in the Real Discount Rate	10%	490												
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 £205.6 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 2017, and up to the date when these accounts were authorised, which require any adjustments to these accounts. However the Fund is planning to implement a small range of investment strategies over time, with employers allocated to the investment strategy which is most appropriate given their funding level and funding objective. This is a change from the Fund's current approach of operating a single investment strategy for all employers.

## 7. Contributions Receivable

### By Category

2015-16 £000		2016-17 £000
94,664	Employers – normal	99,924
293	Employers – special	192
1	Employers – augmentation	0
2,946	Employers – strain	1,820
27,014	Members – normal	27,380
707	Members – purchase of additional scheme benefits	603
<b>125,625</b>		<b>129,919</b>

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.

2015-16 £000		2016-17 £000
27,499	Deficit recovery contribution included in employers normal contributions	31,539
<b>27,499</b>		<b>31,539</b>

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

2015-16 £000		2016-17 £000
53,895	Administering authority	55,329
45,851	Other scheduled bodies	49,519
6,240	Community admission bodies	6,311
2,874	Transferee admission bodies	2,674
16,765	Resolution bodies	16,086
<b>125,625</b>		<b>129,919</b>

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:

2015-16 £000		2016-17 £000
113	Strain instalments due after the Net Asset Statement date	62
<b>113</b>		<b>62</b>

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 2017.

## 8. Transfers In From Other Pension Funds

2015-16 £000		2016-17 £000
5,130	Individual transfers	7,961
<b>5,130</b>		<b>7,961</b>

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.

2015-16 £000		2016-17 £000
6,530	HMCS total present value	5,318
<b>6,530</b>		<b>5,318</b>

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

## 9. Benefits Payable

### By Category

2015-16 £000		2016-17 £000
100,846	Pensions	103,970
20,984	Commutation and lump sum retirement benefits	20,674
3,686	Lump sum death benefits	2,480
<b>125,516</b>		<b>127,124</b>

### By Authority

2015-16 £000		2016-17 £000
58,765	Administering authority	60,199
46,798	Other scheduled bodies	45,406
5,689	Community admission bodies	5,268
3,443	Transferee admission bodies	3,309
10,821	Resolution bodies	12,942
<b>125,516</b>		<b>127,124</b>

## 10. Payments To and On Account of Leavers

2015-16 £000		2016-17 £000
7,239	Group Transfers	126
165	Refunds to members leaving service	341
5,232	Individual transfers	4,109
<b>12,636</b>		<b>4,576</b>

The 2016-17 Group Transfers figure is made up of one transfer in respect of Great Yarmouth Borough Council. 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 2016-17 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).

2015-16 £000		2016-17 £000
1,766	Administrative costs	1,684
13,371	Investment management expenses	14,601
537	Oversight and governance costs	898
<b>15,674</b>		<b>17,183</b>

The Local Government Pension Scheme Regulations enables administration expenses (including Oversight and Governance) to be charged to the Fund. The increase in Oversight and governance expenses is mainly due to the cost of the 2016 triennial valuation.

Investment management expenses are analysed further in note 14.



## 12. Investment Income

2015-16 £000		2016-17 £000
6,327	Income from fixed interest securities	0
20,872	Equity dividends	22,542
14,059	Pooled Property investments	13,043
14,097	Pooled fund income - unit trusts and other managed funds	15,713
3,698	Private equity income	2,895
5,963	Pooled funds rebate	6,607
112	Stock lending	251
98	Interest on cash deposits	243
36	Rents from Property (note 12a)	36
0	Windfall Tax	295
39	Other	38
<b>65,301</b>		<b>61,663</b>

The Windfall Tax amount in 2016-17 is made up of a number of legacy payments paid over by the Funds previous Custodian in respect of tax recovered but previously accounted as non-recoverable.

### 12a. Property Income

2015-16 £000		2016-17 £000
36	Rental income	36
-1	Direct operating expenses	-2
<b>35</b>	<b>Net income</b>	<b>34</b>

## 13. Other Fund Disclosures

### a) Taxes on Income

2015-16 £000		2016-17 £000
248	Withholding tax - equities	256
9	Withholding tax – pooled investments	16
<b>257</b>		<b>272</b>

### b) External Audit costs

2015-16 £000		2016-17 £000
27	Payable in respect of external Audit	27
<b>27</b>		<b>27</b>

## 14. Investment Expenses

2015-16 £000		2016-17 £000
6,724	Management fees – invoiced ad valorem	7,991
1,056	Management fees – invoiced performance	528
1,306	Management expenses on unit trusts	1,545
3,509	Private Equity – fund of fund fees	3,227
1	Direct Property	2
55	Custody fees	58
39	Fees and Other Expenses	442
681	Transaction Costs	808
<b>13,371</b>		<b>14,601</b>

The increase in Fees and Other Expenses reflects a change in accounting process to capture some investment expenses gross rather than net and costs associated with the Governments Pooling agenda.

## 15. Investments

Market Value 31 March 2016 £000		Market Value 31 March 2017 £000
<b>Investment assets</b>		
787,143	Equities	985,776
1,499,620	Pooled Investments	1,781,230
378,335	Pooled property investments	373,430
183,489	Private equity Partnerships	205,619
444	Property	444
3,238	Derivatives - forward currency	7,248
36,068	Cash deposits	60,823
4,835	Amounts receivable for sales	316
<b>2,893,172</b>	<b>Total investment assets</b>	<b>3,414,886</b>
<b>Investment liabilities</b>		
-4,442	Derivatives - forward currency	-4,877
-1,418	Amounts payable for purchases	-607
<b>-5,860</b>	<b>Total investment liabilities</b>	<b>-5,484</b>
<b>2,887,312</b>	<b>Net investment assets</b>	<b>3,409,402</b>

## 15a. Reconciliation of Movements in Investments and Derivatives 2016-17

	Market value 31 March 2016 £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 2017 £000
Equities	<b>787,143</b>	241,145	-258,278	215,766	<b>985,776</b>
Pooled investments	<b>1,499,620</b>	143,025	-118,317	256,902	<b>1,781,230</b>
Pooled property investments	<b>378,335</b>	53,345	-58,573	323	<b>373,430</b>
Private equity	<b>183,489</b>	28,943	-51,153	44,340	<b>205,619</b>
Property	<b>444</b>	0	0	0	<b>444</b>
	<b>2,849,031</b>	<b>466,458</b>	<b>-486,321</b>	<b>517,331</b>	<b>3,346,499</b>
<b>Derivative contracts:</b>					
- Forward currency contracts	<b>-1,204</b>	216,384	-167,243	-45,566	<b>2,371</b>
	<b>-1,204</b>	<b>216,384</b>	<b>-167,243</b>	<b>-45,566</b>	<b>2,371</b>
<b>Other investment balances:</b>					
- Cash deposits	<b>36,068</b>			2,296	<b>60,823</b>
- Amount receivable for sales of investments	<b>4,835</b>				<b>316</b>
- Amount payable for purchases of investments	<b>-1,418</b>				<b>-607</b>
<b>Net investment assets</b>	<b>2,887,312</b>			<b>474,061</b>	<b>3,409,402</b>

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

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 2016-17	£808,000
Transaction costs incurred during 2015-16	£681,000

## 15b. Analysis of Investments

31 March 2016 £000		31 March 2017 £000
<b>Equities</b>		
<b>UK</b>		
264,232	Quoted	314,721
<b>Overseas</b>		
522,911	Quoted	671,055
<b>787,143</b>		<b>985,776</b>
<b>Pooled Funds - additional analysis</b>		
<b>UK</b>		
694,837	Unit trusts	813,403
226,367	Unitised insurance policies	280,957
381,788	Other managed funds	449,931
<b>1,302,992</b>		<b>1,544,291</b>
<b>Overseas</b>		
196,628	Unit trusts	236,939
<b>196,628</b>		<b>236,939</b>

31 March 2016 £000		31 March 2017 £000
<b>Pooled and Freehold Property, Private Equity and Derivatives</b>		
378,335	Pooled property investments	373,430
183,489	Private equity	205,619
444	Direct Property	444
3,238	Derivatives - forward currency	7,248
<b>565,506</b>		<b>586,741</b>
<b>Other Investment Balances</b>		
36,068	Cash deposits	60,823
4,835	Amounts receivable for sales	316
<b>40,903</b>		<b>61,139</b>
<b>2,893,172</b>	<b>Total investment assets</b>	<b>3,414,886</b>
<b>Investment liabilities</b>		
-4,442	Derivatives - forward currency	-4,877
-1,418	Amounts payable for purchases	-607
<b>-5,860</b>	<b>Total investment liabilities</b>	<b>-5,484</b>
<b>2,887,312</b>	<b>Net investment assets</b>	<b>3,409,402</b>

## **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**

There were no outstanding exchange traded futures contracts or balances in respect of initial and variation margins arising on open futures contracts at the year-end included within cash balances.

The Fund has also authorised the use of futures by Henderson to assist in meeting the investment objectives that they have been set. Henderson did not hold any futures contracts in its portfolio at 31 March 2017 (2016 nil).

#### **b) Forward foreign currency**

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

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.

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.



## 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	£	11,400	AUD	-18,473	139	0
Up to one month	£	102,956	EUR	-118,166	1,844	0
Up to one month	£	45,039	JPY	-6,300,641	0	-195
Up to one month	£	390,346	\$	-481,743	5,265	0
Up to one month	EUR	65,123	£	-56,603	0	-878
Up to one month	JPY	4,429,241	£	-31,932	0	-133
Up to one month	\$	217,717	£	-177,384	0	-3,352
Between three and six months	£	29,402	EUR	-34,620	0	-319
Open forward currency contracts at 31 March 2017					<b>7,248</b>	<b>-4,877</b>
Net forward currency contracts at 31 March 2017						<b>2,371</b>
<b>Prior year comparative</b>						
Open forward currency contracts at 31 March 2016					<b>3,238</b>	<b>-4,442</b>
Net forward currency contracts at 31 March 2016						<b>-1,204</b>

At the 31<sup>st</sup> March 2017, there was no collateral held or posted by the Fund against gains or losses on its Forward foreign currency contracts with Berenberg Bank.

In 2015/16 £610,000 of collateral was posted by the Pension Fund. The collateral was repaid to the Pension Fund when the currency contracts settled during April.

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 2016			Market Value 31 March 2017		
£000	%		£000	%	
484,519	16.77	Fidelity	583,459	17.11	
364,915	12.64	Henderson Global Investors	410,650	12.04	
381,609	13.22	Aviva Investors	389,953	11.44	
277,905	9.63	Capital International Ltd	348,299	10.22	
226,367	7.84	Legal & General Investment Management	280,957	8.24	
231,013	8.00	Baillie Gifford & Co	275,347	8.08	
217,544	7.53	M&G	257,974	7.57	
173,428	6.01	Wellington International	227,222	6.66	
171,990	5.96	Sarasin & Partners	220,709	6.47	
167,805	5.81	Goldman Sachs Asset Management	196,978	5.78	
120,940	4.19	HarbourVest Partners	152,041	4.46	
62,555	2.17	SL Capital Partners	53,578	1.57	
6,400	0.22	Global Custodian*	10,632	0.31	
1,341	0.05	Berenberg Bank **	1,907	0.06	
-1,019	-0.04	Insight Investment (Pareto)**	- 304	-0.01	
<b>2,887,312</b>	<b>100.00</b>		<b>3,409,402</b>	<b>100.00</b>	

All the above companies are registered in the United Kingdom.

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

\*\*Currency hedging contracts in respect of the Fund's overseas equity holdings are reported in the Insight Investment (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	Percentage of total fund %	Market Value	Percentage of total fund %
	31 March 2016 £000		31 March 2017 £000	
Legal & General UK Equity Index Fund	225,576	7.8	279,961	8.2
M&G Alpha Opportunities Fund	210,670	7.3	240,282	7.0
Goldman Sachs Global Strategic Income Bond Portfolio (SIF)	167,805	5.8	196,978	5.7
Fidelity Institutional Exempt America Fund	162,186	5.6	188,758	5.5
Fidelity Institutional Europe Fund	146,613	5.1	181,328	5.3

During the year no individual investment (a single security) exceeded 5% of the total value of the net assets. Five pooled holdings (five in 2015-16) 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 2017 the Legal and General UK Equity Index Fund held 646 (2016 653) stocks compared with the 632 (2016 641) stocks in the equity index that it tracks (FTSE all-share).
- As at 31 March 2017 the M&G Alpha Opportunities Fund has 363 (415) positions, across 263 (327) issuers.
- As at 31 March 2017 the Goldman Sachs SIF Fund held 1,345 (2016 1,089) individual positions.
- The underlying holdings of the Fidelity Institutional Exempt America Fund comprised 164 stocks at 31 March 2017 (2016 165).
- The Fidelity Institutional Europe Fund comprised 52 holdings at 31 March 2017 (2016 63).

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 III of Part II of Schedule 1 to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, and is not a “with profits” contract. 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 2017:

Holding/Investment Type	Market Value 31 March 2017 £000	Percentage of asset class %
<b>Pooled investments</b>		
Legal & General UK Equity Index Fund	279,961	15.72%
M&G Alpha Opportunities Fund	240,282	13.49%
Goldman Sachs Global Strategic Income Bond Portfolio	196,978	11.06%
Fidelity Institutional Exempt America Fund	188,758	10.60%
Fidelity Institutional Europe Fund	181,328	10.18%
Henderson Long Dated Credit Fund	151,095	8.48%
Fidelity Institutional Japan Fund	95,916	5.38%
<b>Pooled property investments</b>		
Industrial Property Investment Fund	37,241	9.97%
Blackrock UK Property Fund	35,904	9.61%
Lothbury Property Trust Units	24,208	6.48%
Henderson Central London Office Property	24,076	6.45%
Standard Life UK Shopping Centre	19,966	5.35%
<b>Private equity</b>		
Harbourvest VIII Cayman Buyout Fund	37,770	18.37%
Standard Life European Strategic 2008	25,396	12.35%
Harbourvest VIII Cayman Venture Fund	24,605	11.97%
Harbourvest IX Cayman Buyout Fund	20,067	9.76%
Harbourvest IX Cayman Venture Fund	14,912	7.25%
Standard Life European Strategic 2006	14,020	6.82%
VIII Dover Street Cayman Fund	11,232	5.46%
HIPEP VII Europe Feeder Fund L.P.	11,036	5.37%
HIPEP VI - CAYMAN ASIA PA	11,027	5.36%
Standard Life European Strategic 2004	10,647	5.18%
<b>Direct Property</b>		
Hamlin Way, King's Lynn	444	100.00%

### 15c. Stock Lending

	31 March 2017 £000	31 March 2016 £000
Value of quoted equities on loan	63,510	10,742
Value of un-quoted equities on loan	6,148	0
Fair value of collateral held by Custodian	73,589	11,595
Collateral relative to stock on loan (percentage coverage)	106%	108%

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 2017 £000	Value on loan at 31 March 2016 £000
UK Equities	12,314	4,644
Overseas Equities	57,344	6,098

At 31 March 2017, securities were on loan to 7 separate borrowers representing 7 parent groups. The largest single parent exposure was 31% of the lending programme.

## 15d. Property Holdings

Year Ending 31 March 2016 £000		Year Ending 31 March 2017 £000
454	Opening balance	444
0	Additions	0
0	Disposals	0
0	Net increase in market value	0
-10	Other changes in fair value	0
<b>444</b>	<b>Closing balance</b>	<b>444</b>

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.

## 15e. Fair Value – Basis of Valuation

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

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Equities	Level 1	The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.	Not required	Not required
FX	Level 1	Market forward exchange rates at the year-end.	Exchange rate risk	Not required
Pooled Investment Vehicle – Equity and Debt	Level 2	Valued at closing bid prices if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the Fund, net of applicable withholding tax.	<p>The valuation is undertaken by the investment manager or responsible entity and advised as a unit or security price. Observable inputs are used.</p> <p>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.</p>	Not required
Pooled Investment Vehicle - Property	Level 3	Pooled investment vehicles are valued at closing bid prices if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles	<p>Investments in unquoted property pooled funds are valued at the net asset value or a single price advised by the fund manager.</p> <p>Pooled property funds and Limited Partnerships in property have derived underlying assets</p>	Valuations could be affected by Material events.



Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Freehold Property	Level 3	<p>that are accumulation funds, change in market value also includes income which is reinvested in the Fund, net of applicable withholding tax.</p> <p>The valuation is performed by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition)</p>	<p>that have been valued by independent external valuers on a fair value basis and generally in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition).</p> <p>Existing lease terms and rentals; Independent market Research; Nature of tenancies; Covenant strength for existing tenants; Assumed vacancy Levels; Estimated rental Growth; Discount rate.</p>	<p>Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices.</p>
Private Equity	Level 3	<p>Investments in private equity funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the appropriate industry guidelines.</p> <p>Limited partnerships are valued at Fair value based on the net asset value ascertained from</p>	<p>Observable inputs are subject to judgment by the respective manager, but are applied in accordance with the appropriate industry guidelines.</p>	<p>Valuations could be affected by Material events occurring between the date of the financial statements provided and the Pension fund's own reporting date, by changes to expected cash flows, and by any differences between</p>

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
		periodic valuations provided by those controlling the partnership.		audited and unaudited accounts.
Delisted securities		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		Securities subject to takeover offer - the value of the consideration offered under the offer, less estimated realisation costs.		

### Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2017.

Description of Asset	Assed Valuation Range (+/-)	Value at 31 March 2017 £'000	Value on Increase £'000	Value on Decrease £'000
Pooled Property Investments	14.2%	373,874	426,964	320,784
Private Equity	28.5%	205,619	264,221	147,018
<b>Total</b>		<b>579,493</b>	<b>691,185</b>	<b>467,802</b>

## **16. Fair Value Hierarchy**

### **16a. Fair Value Hierarchy**

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

#### **Level 1**

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

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

#### **Level 2**

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

#### **Level 3**

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

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

#### **Private Equity**

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

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

### **Pooled Property**

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

### **Freehold Property**

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

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

**Fair Value Hierarchy (Agrees to table 15a excluding Other Investment Balances)**

<b>Values at 31 March 2017</b>	<b>Quoted market price Level 1 £000</b>	<b>Using observable inputs Level 2 £000</b>	<b>With significant unobservable inputs Level 3 £000</b>	<b>Total £000</b>
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	993,024	1,781,230	579,049	3,353,303
Non-Financial assets at fair value through profit and loss (See Note 15d)	0	0	444	444
Financial liabilities at fair value through profit and loss	-4,877	0	0	-4,877
<b>Net Investment Assets</b>	<b>988,147</b>	<b>1,781,230</b>	<b>579,493</b>	<b>3,348,870</b>

<b>Values at 31 March 2016</b>	<b>Quoted market price Level 1 £000</b>	<b>Using observable inputs Level 2 £000</b>	<b>With significant unobservable inputs Level 3 £000</b>	<b>Total £000</b>
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	790,381	1,499,620	561,824	2,851,825
Non-Financial assets at fair value through profit and loss (See Note 15d)	0	0	444	444
Financial liabilities at fair value through profit and loss	-4,442	0	0	-4,442
<b>Net Investment Assets</b>	<b>785,939</b>	<b>1,499,620</b>	<b>562,268</b>	<b>2,847,827</b>

## 16b. Transfers between Levels 1 and 2

The Equity and debt Pooled Funds totalling £1,781.2M (£1,499.6M 2015-16) were re-classified from level 1 to level 2 during 2016-17 in accordance with the classification guidelines in the Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

## 16c. Reconciliation of Fair Value Measurements within Level 3

	Market value 1 April 2016	Transfers into Level 3	Transfers out of Level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses)	Realised gains/(losses)	Market value 31 March 2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Pooled and Freehold Property Investments	378,335	444	0	53,345	-58,573	-6,772	7,095	373,874
Private Equity	183,489	0	0	28,943	-51,153	15,240	29,100	205,619
	<b>561,824</b>	<b>444</b>	<b>0</b>	<b>82,288</b>	<b>-109,726</b>	<b>8,468</b>	<b>36,195</b>	<b>579,493</b>

## 16d. Financial Instruments – Classification

Designated as fair value through profit and loss £000	31-Mar-16			Designated as fair value through profit and loss £000	31-Mar-17	
	Loans and receivables £000	Financial liabilities at amortised cost £000			Loans and receivables £000	Financial liabilities at amortised cost £000
Financial assets						
787,143			Equities	985,776		
1,499,620			Pooled Investments	1,781,230		
378,335			Pooled Property	373,430		
183,489			Private equity	205,619		
3,238			Derivative contracts	7,248		
	38,836		Cash		67,056	
9,290			Other investment balances	4,728		
	98		Debtors		31	
2,861,115	38,934	0		3,358,031	67,087	0
Financial liabilities						
-4,442			Derivative contracts	-4,877		
		-5,476	Creditors			-5,005
-1,418			Other Investment Balances	-607		
-5,860	0	-5,476		-5,484	0	-5,005
2,855,255	38,934	-5,476		3,352,547	67,087	-5,005

## 16e. Net Gains and Losses on Financial Instruments

31 March 16 £000		31 March 17 £000
<b>Financial assets</b>		
82,680	Fair value through profit and loss	689,241
0	Loans and receivables	0
0	Financial liabilities measured at amortised cost	0
<b>Financial liabilities</b>		
-168,715	Fair value through profit and loss	-215,180
0	Loans and receivables	0
0	Financial liabilities measured at amortised cost	0
<b>-86,035</b>	<b>Total</b>	<b>474,061</b>

## 16f. 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.

## 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 2017-18 reporting period:

Asset Type	Potential Market Movements (+/-) %
UK Equities including pooled	15.80%
Overseas Equities including pooled	18.40%
UK Bonds including pooled	9.50%
Index Linked Gilts including pooled	9.00%
Bonds including pooled	7.10%
Cash and Cash Equivalents (Including Payables and Receivables)	0.00%
Pooled & Direct Property Investments	14.20%
Private Equity	28.50%
<b>Total</b>	<b>11.60%</b>

\* 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 2017 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash and Cash Equivalents including payables and receivables	62,903	0.00%	62,903	62,903
<b>Investment Portfolio Assets:</b>				
UK Equities including pooled	606,182	15.80%	701,959	510,405
Overseas Equities including pooled	1,294,475	18.40%	1,532,658	1,056,292
UK Bonds including pooled	731,033	9.50%	800,481	661,585
Index Linked Gilts including pooled	68,345	9.00%	74,496	62,194
Bonds including pooled	66,971	7.10%	71,726	62,216
Pooled & Direct Property Investments	373,874	14.20%	426,964	320,784
Private Equity	205,619	28.50%	264,220	147,018
<b>Total Assets Available to Pay Benefits</b>	<b>3,409,402</b>	<b>11.60%</b>	<b>3,804,893*</b>	<b>3,013,911*</b>

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
<b>Investment Portfolio Assets:</b>				
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
<b>Total Assets Available to Pay Benefits</b>	<b>2,887,312</b>	<b>6.04%</b>	<b>3,061,706*</b>	<b>2,712,918*</b>

\* 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 2017 and 31 March 2016 is set out below. These disclosures present interest rate risk based on the underlying financial assets:

Asset Type	Value as at 31 March 2017 £000	Value as at 31 March 2016 £000
Investment Cash Balances	60,823	36,068
Cash in hand	6,233	2,768
<b>Total</b>	<b>67,056</b>	<b>38,836</b>

### 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 2017 £000	Change in year in the net assets available to pay benefits	
		+100 BPS £000	-100 BPS £000
Investment Cash Balances	60,823	608	-608
Cash in hand	6,233	62	-62
	<b>67,056</b>	<b>670</b>	<b>-670</b>

## 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 3.6% 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 3.6% 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 2017 £000	Change to net assets available to pay benefits	
		+3.6%	-3.6 %
		£000	£000
Overseas Equities (including pooled equity funds where underlying assets are non-Sterling denominated)	1,294,475	46,601	-46,601
Private Equity	205,619	7,402	-7,402
Change in net assets available to pay benefits		<b>54,003</b>	<b>-54,003</b>

## **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 <sup>st</sup> March 2017	Balances at 31 March 2017 £000	Short term Rating (S&P) 31 <sup>st</sup> March 2016	Balances at 31 March 2016 £000
<b>Bank Deposit Accounts</b>				
Standard Life Money Market Fund	AAA	3,197		
Barclays Bank PLC	A-2	3,198	A-2	1,373
HSBC			A-1+	1,374
<b>Bank Current Accounts</b>				
Barclays Bank	A-2	-162	A-2	10
<b>Total</b>		<b>6,233</b>		<b>2,757</b>

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 2017 comprise £60.8 million (£38.4m) deposited with AAA rated money market funds, £1.5 million (-£2.3m overdrawn) with the custodian HSBC (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 2017 (2016 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 2017 £000	Percentage of Total Fund Assets %	Balances at 31 March 2016 £000	Percentage of Total Fund Assets %
579,493	16.8%	562,268	19.5

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 2017 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 Regulations"), the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last valuation took place as at 31 March 2016.

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

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



and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and

- to use reasonable measures to reduce the risk to other employers and ultimately to the Council 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>
2016 actuarial valuation	80%	710
2013 actuarial valuation	78%	705

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

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

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

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

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2016 actuarial valuation report and the funding strategy statement on the Fund's website.

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

#### **Financial Assumptions at 31 March 2016**

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

#### **Mortality Assumptions**

The Fund is member of Club Vita which provides bespoke set of longevity assumptions specifically tailored to the membership profile of the Fund. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI\_2013 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

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

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

#### **Commutation assumption**

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

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

### **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).

	<b>31 March 2017</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
Actuarial present value of promised retirement benefits	4,916,000	4,162,000
Fair Value of scheme assets (bid value)	<u>3,429,247</u>	<u>2,904,798</u>
<b>Net Liability</b>	<b>1,486,753</b>	<b>1,257,202</b>

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

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

Assumptions Used	31 March 2017 %	31 March 2016 %
Inflation/Pension Increase Rate Assumption	2.4	2.2
Salary Increase Rate	2.7	3.2
Discount Rate	2.6	3.5

## 20. Current Assets

31 March 2016 £000		31 March 2017 £000
<b>Cash In Hand</b>		
2,768	Cash In Hand**	6,233
<b>Debtors:</b>		
1,964	Contributions due - employees*	1,930
8,215	Contributions due - employers*	6,667
13	Employers special contributions	1,407
1,033	Augmentation & strain due	783
2,973	Dividends receivable**	2,680
1,461	Pooled funds rebate due**	1,705
215	UK tax receivable	478
572	Overseas tax receivable	545
390	VAT refund due	278
3	Interest due**	7
18	Stock lending/commission recapture**	20
34	Recharge of fees**	21
1	Prepayments	4
64	Sundry **	10
<b>16,956</b>	<b>Debtors</b>	<b>16,535</b>
<b>19,724</b>	<b>Current Assets</b>	<b>22,768</b>

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

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

<b>31 March 2016 £000</b>		<b>31 March 2017 £000</b>
<b>Long term debtors:</b>		
5,532	Employer contributions	3,914
113	Augmentation & strain due	627
<b>5,645</b>		<b>4,541</b>

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

<b>31 March 2016 £000</b>		<b>31 March 2017 £000</b>
7,707	Central government bodies	6,621
6,026	Other local authorities	5,885
8,868	Other entities and individuals	8,570
<b>22,601</b>		<b>21,076</b>

## 21. Current Liabilities

31 March 2016 £000		31 March 2017 £000
<b>Creditors:</b>		
363	Transfer values payable (leavers)	0
1,009	Benefits payable	1,422
3,224	Investment Management Fees**	2,579
2,242	Other Fees & Charges**	2,426
1,035	UK Taxation payable	1,037
10	Sundry creditors**	0
<b>7,883</b>		<b>7,464</b>

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

### Analysis of Creditors

31 March 2016 £000		31 March 2016 £000
1,035	Central government bodies	1,035
2,399	Other local authorities	2,246
4,449	Other entities and individuals	4,183
<b>7,883</b>		<b>7,464</b>

## 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 2016 £000	Market Value 31 March 2017 £000
4,904	5,272
Separately Invested AVC Funds	
2015-16 £000	2016-17 £000
387	423
AVC contributions paid directly during the year	

## 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.

	2015-16 £000	2016-17 £000
Norfolk County Council incurred administration and Investments costs reimbursed by the Fund	2,036	2,238
Norfolk County Council Employer Contributions	40,359	42,198

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.

	2015-16 £000	2016-17 £000
Average investment balance held by NCC Treasury Management Operation	8,170	8,075
Interest earned on balances invested by NCC Treasury Management Operation	38	31

### 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](http://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 and Commercial Services (S George)	2016-17	128,500	0	0	<b>128,500</b>	19,900	<b>148,400</b>
Executive Director of Finance (S George)	2015-16	99,200	0	0	<b>99,200</b>	15,400	<b>114,600</b>
Interim Executive Director of Finance (P Timmins)	2015-16	28,860	0	0	<b>28,860</b>	N/A	<b>28,860</b>

## 24. Contractual Commitments

Outstanding Capital Commitments	31 March 2016 £000	31 March 2017 £000
Private equity partnerships	140,255	210,163
Property investment vehicles	11,500	19,099
Pooled Debt Funds	19,161	14,032

At 31 March 2017 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 2017 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 and US Dollar denominated commitments as at 31<sup>st</sup> March 2017. 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. There are also commitments on the M&G Debt opportunities portfolio.

## **25. Contingent Assets**

The Administering Authority holds charges on property, relating to funding agreements put in place with one employer. This agreement allows the employer to extend their deficit recovery periods and therefore reduce the contributions immediately payable in return for providing additional security to the Fund. 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).

## 26. Agency Contracted Services

The Norfolk Pension Fund pays discretionary awards to the former employees of Norfolk County Council, the district councils and twenty five 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 2016 £000		31 March 2017 £000
1,311	Norfolk County Council	1,277
1,206	Norwich City Council	1,181
265	North Norfolk District Council	257
250	Borough Council of Kings Lynn & West Norfolk	243
205	Great Yarmouth Borough Council	199
108	Broadland District Council	106
103	Breckland District Council	101
60	South Norfolk District Council	58
131	Other	159
<b>3,639</b>		<b>3,581</b>

# Appendices

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## Appendix I – Participating Employers

*(Employers with active members during the year)*

<b><u>Employer</u></b>	<b><u>Type</u></b>
Acle Academy	Scheduled/Resolution Body
Acle Parish Council	Scheduled/Resolution Body
Action for Children (Wells)	Admitted Body
Action for Children (Dereham)	Admitted Body
Action for Children (Hethersett)	Admitted Body
Action for Children (Thorpe)	Admitted Body
Admirals Academy	Scheduled/Resolution Body
Age UK Norfolk	Admitted Body
Alive Leisure Trust	Admitted Body
Alive Management Ltd	Scheduled/Resolution Body
All Saints Academy	Scheduled/Resolution Body
Anglia Maintenance Services	Admitted Body
Anthony Curton Primary School	Scheduled/Resolution Body
Antingham & Southrepps Community Primary School	Scheduled/Resolution Body
Arden Grove Infant and Nursery Academy	Scheduled/Resolution Body
Aslacton Primary School	Scheduled/Resolution Body
Attleborough High School Academy	Scheduled/Resolution Body
Attleborough Town Council	Scheduled/Resolution Body
Aylsham Town Council	Scheduled/Resolution Body
Banham Community Primary School	Scheduled/Resolution Body
Barford & Wrampingham Parish Council	Scheduled/Resolution Body
Barnham Broom Parish Council	Scheduled/Resolution Body
Bawdeswell Community Primary School	Scheduled/Resolution Body
Beeston Primary	Scheduled/Resolution Body
Beighton Parish Council	Scheduled/Resolution Body
Belton with Browston Parish Council	Scheduled/Resolution Body

Biffa Municipal Ltd	Admitted Body
Bishop's Primary School	Scheduled/Resolution Body
Blenheim Park Primary School	Scheduled/Resolution Body
Blofield Parish Council	Scheduled/Resolution Body
Borough Council of King's Lynn & West Norfolk	Scheduled/Resolution Body
Breckland Council	Scheduled/Resolution Body
Broadland District Council	Scheduled/Resolution Body
Broads (2006) Internal Drainage Board	Scheduled/Resolution Body
Broads Authority	Scheduled/Resolution Body
Brundall Parish Council	Scheduled/Resolution Body
Bunwell Primary School	Scheduled/Resolution Body
Buxton With Lamas Parish Council	Scheduled/Resolution Body
Caister Academy	Scheduled/Resolution Body
Castle Acre Church of England Primary School	Scheduled/Resolution Body
Caterlink	Admitted Body
Cawston Parish Council	Scheduled/Resolution Body
Cawston Primary School	Scheduled/Resolution Body
Charles Darwin Primary School	Scheduled/Resolution Body
Cherry Tree Academy Marham Infant	Scheduled/Resolution Body
Cherry Tree Academy Marham Junior	Scheduled/Resolution Body
Cherry Tree Academy Trust Marham	Scheduled/Resolution Body
Childhood First	Admitted Body
Circle Anglia Limited	Admitted Body
City Academy Norwich	Scheduled/Resolution Body
City College Norwich	Scheduled/Resolution Body
City of Norwich School	Scheduled/Resolution Body
Clenchwarton Primary School	Scheduled/Resolution Body
Cliff Park Ormiston Academy	Scheduled/Resolution Body
Cliff Park Schools Trust Ltd	Scheduled/Resolution Body
Cobholm Primary Academy	Scheduled/Resolution Body
Colkirk Church of England Primary School	Scheduled/Resolution Body

College of West Anglia	Scheduled/Resolution Body
Costessey Infant School (Academy)	Scheduled/Resolution Body
Costessey Junior School (Academy)	Scheduled/Resolution Body
Costessey Town Council	Scheduled/Resolution Body
Cranworth Parish Council	Scheduled/Resolution Body
Cringleford Parish Council	Scheduled/Resolution Body
Cromer Academy Trust	Scheduled/Resolution Body
Cromer Town Council	Scheduled/Resolution Body
Dereham Church of England Junior Academy	Scheduled/Resolution Body
Dereham Town Council	Scheduled/Resolution Body
Dersingham Parish Council	Scheduled/Resolution Body
Diamond Academy	Scheduled/Resolution Body
Diocese of Norwich Education and Academies Trust (formerly Diocese of Norwich Multi-Academy Trust)	Scheduled/Resolution Body
Diss High School (Academy)	Scheduled/Resolution Body
Diss Town Council	Scheduled/Resolution Body
Ditchingham Church of England Primary Academy	Scheduled/Resolution Body
Downham & Stow Bardolph Internal Drainage Board	Scheduled/Resolution Body
Downham Market Academy	Scheduled/Resolution Body
Downham Market Town Council	Scheduled/Resolution Body
Drayton Parish Council	Scheduled/Resolution Body
Duchy of Lancaster Methwold Church of England Primary	Scheduled/Resolution Body
Dussingdale Primary School	Scheduled/Resolution Body
East City Children's Centre	Admitted Body
East Norfolk Sixth Form College	Scheduled/Resolution Body
East of Ouse, Plover & Nar Internal Drainage Board	Scheduled/Resolution Body
Eastern Inshore Fisheries and Conservation Authority	Scheduled/Resolution Body
Eastgate Academy	Scheduled/Resolution Body
Easton and Otley College	Scheduled/Resolution Body
Eaton Hall Specialist Academy	Scheduled/Resolution Body
Eaton Primary School	Scheduled/Resolution Body

Edith Cavell Academy	Scheduled/Resolution Body
Edward and Blake (Caister Academy)	Admitted Body
Edward Worlledge Primary	Scheduled/Resolution Body
Edwards & Blake (Marham Infant)	Admitted Body
Edwards & Blake (Wymondham Academy)	Admitted Body
Edwards and Blake	Admitted Body
Edwards and Blake (Neatherd High)	Admitted Body
Edwards and Blake (Nicholas Hammond)	Admitted Body
Edwards and Blake (Reepham High)	Admitted Body
Engage Educational Services	Scheduled/Resolution Body
Fakenham Academy Norfolk	Scheduled/Resolution Body
Fakenham Town Council	Scheduled/Resolution Body
Filby Primary School	Scheduled/Resolution Body
Firside Junior School	Scheduled/Resolution Body
Flagship Housing Group	Admitted Body
Flegg High School	Scheduled/Resolution Body
Flitcham Church of England Primary Academy	Scheduled/Resolution Body
Framingham Earl Parish Council	Scheduled/Resolution Body
Freebridge Community Housing Ltd	Admitted Body
Garrick Green Academy	Scheduled/Resolution Body
Garvestone Primary School	Scheduled/Resolution Body
Garvestone, Remerston and Thuxton Parish Council	Scheduled/Resolution Body
Gillingham St Michael's Primary	Scheduled/Resolution Body
Glebeland Primary School	Scheduled/Resolution Body
Gooderstone Church of England Primary Academy	Scheduled/Resolution Body
Great Snoring Parish Council	Scheduled/Resolution Body
Great Witchingham Church of England Primary School	Scheduled/Resolution Body
Great Yarmouth Borough Council	Scheduled/Resolution Body
Great Yarmouth College of Further Education	Scheduled/Resolution Body
Great Yarmouth Norse	Scheduled/Resolution Body
Great Yarmouth Port Authority	Admitted Body



Great Yarmouth Port Company	Admitted Body
Great Yarmouth Primary Academy	Scheduled/Resolution Body
Great Yarmouth Racecourse Ltd	Admitted Body
Grove House Nursery Primary School	Scheduled/Resolution Body
GYB Services Ltd	Scheduled/Resolution Body
Harling Parish Council	Scheduled/Resolution Body
Heacham Infant School	Scheduled/Resolution Body
Heacham Junior School	Scheduled/Resolution Body
Heart Education Trust	Scheduled/Resolution Body
Heartsease Primary Academy	Scheduled/Resolution Body
Hellesdon High School Academy	Scheduled/Resolution Body
Hellesdon Parish Council	Scheduled/Resolution Body
Hemblington Parish Council	Scheduled/Resolution Body
Henderson Green Primary Academy	Scheduled/Resolution Body
Hethel Innovation Ltd	Admitted Body
Hethersett Academy	Scheduled/Resolution Body
Hilgay Riverside Academy	Scheduled/Resolution Body
Hillside Avenue Primary and Nursery School	Scheduled/Resolution Body
Hindolveston Parish Council	Scheduled/Resolution Body
Hobart High School Academy	Scheduled/Resolution Body
Hockering Primary Academy	Scheduled/Resolution Body
Holt Town Council	Scheduled/Resolution Body
Hoveton Parish Council	Scheduled/Resolution Body
Hunstanton Town Council	Scheduled/Resolution Body
Iceni Academy	Scheduled/Resolution Body
Independence Matters	Admitted Body
Inspiration Trust	Scheduled/Resolution Body
Jane Austin College	Scheduled/Resolution Body
Kettlestone Parish Council	Scheduled/Resolution Body
Kier Support Services	Admitted Body
King Edward VII Academy	Scheduled/Resolution Body

King's Lynn Internal Drainage Board	Scheduled/Resolution Body
King's Park Infant School	Scheduled/Resolution Body
King's Lynn Academy	Scheduled/Resolution Body
King's Lynn Internal Drainage Board	Scheduled/Resolution Body
Kirby Cane And Ellingham Parish Council	Scheduled/Resolution Body
Konectbus Ltd	Admitted Body
Lafarge Tarmac	Admitted Body
Lingwood and Burlingham Parish Council	Scheduled/Resolution Body
Lingwood Primary Academy	Scheduled/Resolution Body
Little Snoring Parish Council	Scheduled/Resolution Body
Loddon Parish Council	Scheduled/Resolution Body
Lodge Lane Infant School	Scheduled/Resolution Body
Lynn Grove High School (Academy)	Scheduled/Resolution Body
Manor Field Infant Nursery School	Scheduled/Resolution Body
Marlingford and Colton Parish Council	Scheduled/Resolution Body
Marshland High School	Scheduled/Resolution Body
Marshland St. James Primary School	Scheduled/Resolution Body
Martham Parish Council	Scheduled/Resolution Body
Martham School Trust	Scheduled/Resolution Body
Mattishall Parish Council	Scheduled/Resolution Body
Mid Norfolk Citizens Advice Bureau	Admitted Body
Middleton Primary School	Scheduled/Resolution Body
Moorlands Church of England Primary Academy	Scheduled/Resolution Body
Mundford Church of England Primary	Scheduled/Resolution Body
Nar and St Clement's Children's Centre	Scheduled/Resolution Body
Narborough Church of England Primary Academy	Scheduled/Resolution Body
NCS (Assistive Technology)	Scheduled/Resolution Body
NCS Transport Ltd	Scheduled/Resolution Body
Neatherd High School	Scheduled/Resolution Body
Nelson Academy	Scheduled/Resolution Body
New Anglia Enterprise Council	Admitted Body

New Buckenham Parish Council	Scheduled/Resolution Body
Newton Flotman Parish Council	Scheduled/Resolution Body
Norfolk Chief Constable	Scheduled/Resolution Body
Norfolk County Council	Scheduled/Resolution Body
Norfolk Educational Services (NES)	Scheduled/Resolution Body
Norfolk Heritage Fleet Trust	Admitted Body
Norfolk Police and Crime Commissioner	Scheduled/Resolution Body
Norfolk Rivers Internal Drainage Board	Scheduled/Resolution Body
Norman Church of England Primary School	Scheduled/Resolution Body
Norse Care Limited	Scheduled/Resolution Body
Norse Care Services	Scheduled/Resolution Body
Norse Commercial Services	Scheduled/Resolution Body
Norse Eastern	Scheduled/Resolution Body
North Norfolk District Council	Scheduled/Resolution Body
North Walsham Town Council	Scheduled/Resolution Body
North Wootton Community School	Scheduled/Resolution Body
Northgate High School	Scheduled/Resolution Body
Northrepps Parish Council	Scheduled/Resolution Body
Norwich Airport Limited	Admitted Body
Norwich City Council	Scheduled/Resolution Body
Norwich Norse	Scheduled/Resolution Body
Norwich Primary Academy	Scheduled/Resolution Body
Norwich Road Academy	Scheduled/Resolution Body
Norwich University of the Arts	Scheduled/Resolution Body
Notre Dame High School Academy	Scheduled/Resolution Body
NPS (London) Ltd	Scheduled/Resolution Body
NPS (Norwich) Ltd	Scheduled/Resolution Body
NPS (South East) Ltd	Scheduled/Resolution Body
NPS (South West) Ltd	Scheduled/Resolution Body
NPS Property Consultants Ltd	Scheduled/Resolution Body
Old Buckenham Primary School	Scheduled/Resolution Body

Old Catton Parish Council	Scheduled/Resolution Body
Open Academy - Heartsease	Scheduled/Resolution Body
Ormiston Herman Academy	Scheduled/Resolution Body
Ormiston Venture Academy	Scheduled/Resolution Body
Ormiston Victory Academy	Scheduled/Resolution Body
Ovington Parish Council	Scheduled/Resolution Body
Paston College	Scheduled/Resolution Body
Peterhouse Primary School	Scheduled/Resolution Body
Poringland Parish Council	Scheduled/Resolution Body
Pre – School Learning Alliance (Milestones)	Admitted Body
Pre – School Learning Alliance (Thorpe)	Admitted Body
Rackheath Parish Council	Scheduled/Resolution Body
Redenhall with Harleston Town Council	Scheduled/Resolution Body
Reepham High School and College	Scheduled/Resolution Body
Reepham Primary School	Scheduled/Resolution Body
Reepham Town Council	Scheduled/Resolution Body
Right for Success Academy Sponsorship Trust	Scheduled/Resolution Body
RM Education	Admitted Body
Rudham Church of England Primary School	Scheduled/Resolution Body
Runcton Holme Church of England Primary School	Scheduled/Resolution Body
Saffron Housing Trust Limited	Admitted Body
Saxlingham Nethergate Parish Council	Scheduled/Resolution Body
Scoulton Parish Council	Scheduled/Resolution Body
Sculthorpe Church of England Primary School	Scheduled/Resolution Body
Sentinel Leisure Trust	Admitted Body
Serco Government Services	Admitted Body
Sewell Park Academy	Scheduled/Resolution Body
Sheringham High School (Academy)	Scheduled/Resolution Body
Sheringham Town Council	Scheduled/Resolution Body
Short Stay School for Norfolk	Scheduled/Resolution Body
Sir Isaac Newton Free School	Scheduled/Resolution Body

Smithdon High School	Scheduled/Resolution Body
Snettisham Parish Council	Scheduled/Resolution Body
Snettisham Primary School	Scheduled/Resolution Body
South Norfolk District Council	Scheduled/Resolution Body
South Walsham Parish Council	Scheduled/Resolution Body
South Wootton Parish Council	Scheduled/Resolution Body
Southery & District Internal Drainage Board	Scheduled/Resolution Body
Southery Academy	Scheduled/Resolution Body
Spixworth Parish Council	Scheduled/Resolution Body
Sporle Church of England Primary School	Scheduled/Resolution Body
Springwood High School Academy Trust	Scheduled/Resolution Body
Sprowston Town Council	Scheduled/Resolution Body
St Andrews Primary School	Scheduled/Resolution Body
St Augustine's Catholic Primary School	Scheduled/Resolution Body
St Clements HS Academy	Scheduled/Resolution Body
St Edmunds Academy	Scheduled/Resolution Body
St Francis of Assisi Catholic School	Scheduled/Resolution Body
St Martin at Shouldham Church of England Primary Academy	Scheduled/Resolution Body
St Mary & St Peter Catholic Primary School	Scheduled/Resolution Body
St Mary's Church of England Junior School (Academy)	Scheduled/Resolution Body
St Michael's Church of England Academy (King's Lynn)	Scheduled/Resolution Body
St Peter & St Paul Carbroke Church of England Primary Academy	Scheduled/Resolution Body
St Peters Church of England Primary Academy	Scheduled/Resolution Body
Stalham Academy	Scheduled/Resolution Body
Stalham High School	Scheduled/Resolution Body
Stalham Town Council	Scheduled/Resolution Body
Stonham	Admitted Body
Stradbroke Primary	Scheduled/Resolution Body
Strumpshaw Parish Council	Scheduled/Resolution Body
Suffolk Coastal Services	Scheduled/Resolution Body
Swaffham Church of England Junior School	Scheduled/Resolution Body

Swaffham Town Council	Scheduled/Resolution Body
Swanton Morley Parish Council	Scheduled/Resolution Body
Tasburgh Parish Council	Scheduled/Resolution Body
Taverham High School	Scheduled/Resolution Body
Taverham Parish Council	Scheduled/Resolution Body
Ten Mile Bank Community Primary School	Scheduled/Resolution Body
The Free School Norwich	Scheduled/Resolution Body
The Hewett Academy	Scheduled/Resolution Body
The Howard Junior	Scheduled/Resolution Body
The Matthew Project	Admitted Body
The Nicholas Hamond Academy	Scheduled/Resolution Body
Thetford Academy	Scheduled/Resolution Body
Thetford Free School	Scheduled/Resolution Body
Thetford Town Council	Scheduled/Resolution Body
Thomas Bullock Primary	Scheduled/Resolution Body
Thorpe St Andrew School and 6th Form	Scheduled/Resolution Body
Thorpe St. Andrew Town Council	Scheduled/Resolution Body
Tilney All Saints VC Primary School	Scheduled/Resolution Body
Trafalgar College	Scheduled/Resolution Body
Trowse with Newton Parish Council	Scheduled/Resolution Body
Tuckswood Academy and Nursery	Scheduled/Resolution Body
University Technical College Norfolk	Scheduled/Resolution Body
Upton with Fishley Parish Council	Scheduled/Resolution Body
Upwell Community Primary School	Scheduled/Resolution Body
Valley Primary Academy	Scheduled/Resolution Body
Victory Housing Trust	Admitted Body
Village Green Children's Centre	Scheduled/Resolution Body
Village Green Nursery	Scheduled/Resolution Body
Walpole Cross Keys Primary School	Scheduled/Resolution Body
Walsingham Parish Council	Scheduled/Resolution Body
Watton Town Council	Scheduled/Resolution Body

Watton Westfield Infant & Nursery School	Scheduled/Resolution Body
Wayland High School Academy	Scheduled/Resolution Body
Wayland Junior Academy	Scheduled/Resolution Body
Weasenham Church of England Primary School	Scheduled/Resolution Body
Weeting VC Primary School	Scheduled/Resolution Body
Wells-Next-The-Sea Town Council	Scheduled/Resolution Body
Wensum Junior School	Scheduled/Resolution Body
West Lynn Primary	Scheduled/Resolution Body
West Raynham VC Primary School	Scheduled/Resolution Body
Whitefriars Church of England Primary Academy	Scheduled/Resolution Body
Winterton on Sea Parish Council	Scheduled/Resolution Body
Woodlands Primary Academy	Scheduled/Resolution Body
Wormegay Primary	Scheduled/Resolution Body
Wroughton Infant Academy	Scheduled/Resolution Body
Wroughton Junior Academy	Scheduled/Resolution Body
Wymondham Academy College	Scheduled/Resolution Body
Wymondham High Academy	Scheduled/Resolution Body
Wymondham Town Council	Scheduled/Resolution Body

## Appendix II – Disclosure Regulations

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

### Pensions Registry

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

The Pensions Regulator  
Napier House  
Trafalgar Place  
Brighton  
BN1 4DW

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

### 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.

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

The Statement of Investment Principles, Funding Strategy Statement and Investment Strategy Statement can be found on the Pension Funds website at the following location under the "Investment" and "Funding" sections:

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

Alternatively a copy can be obtained 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 314 other bodies who actively participate in the Scheme.

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

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

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

## Appendix IV – Governance Compliance Statement

The Norfolk Pension Fund Governance Compliance Statement as at August 2017  
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. A Local Pension Board has been established (known locally as the Pensions Oversight Board [POB]). POB regularly reports to Pensions Committee and POB members observe all Pensions Committee meetings.*

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

*No formal secondary committee or panel has been established. However employers are regularly reminded via the Employers' Forum and Employers newsletters of the*

*observer seat at Committee. Scheme members are reminded that they can observe committee meetings via the annual “Your Pension” booklet and also at the Annual Meeting. Some Committee and POB Members also attend Employer Forum meetings and member events.*

## Principle B – Representation

	Not compliant*				Fully compliant
a.i					√
.ii					√
.iii					√
.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. POB: 3 employer representatives; all employers are invited to stand for POB.*
  - ii Scheme members (including deferred and pensioner scheme members)  
*Scheme members (including active, deferred and retired) are represented at Committee by the Staff Representative. Scheme members are reminded that they can observe committee meetings via the annual “Your Pension” booklet and also at the Annual Meeting. POB: 3 scheme member representatives; all scheme members invited to stand for election.*
  - iii Independent professional observers  
*Hymans Robertson, as Advisers to the Norfolk Pension Fund, attend Committee; they also attend POB as required.*
  - iv Expert advisors (on an ad-hoc basis)  
*Expert advisors are invited to attend committee and POB as and when necessary.*

## Principle C – Selection and role of lay members

	Not compliant*				Fully compliant
a					√
b					√

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

## Principle D – Voting

	Not compliant*				Fully compliant
A					√

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

## Principle E – Training/facility time/expenses

	Not compliant*				Fully compliant
A					√
B					√
C					√

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

*Subsistence costs incurred. In addition, the Fund maintains a training budget for Pensions Committee and POB for the delivery of our ongoing members training programme, and related expenses.*

- b That where such a policy exists it applies equally to all members of committees, sub-committees, advisory panels or any form of secondary forum.  
*We give the same allowances to other individuals / bodies where necessary, for example the Staff Representative, members of the Pensions Oversight Board (Local Pension Board).*
- c That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.  
*Committee member and POB training needs are considered alongside the 12 month committee agenda planning process. However training is business driven, and therefore the programme is flexible. This allows us to align training most effectively with operational need / current agenda items, and therefore support member decision making. Member training is supplemented by attending LGA 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. A Training Log is maintained.*

## Principle F – Meetings (frequency/quorum)

	Not compliant*				Fully compliant
a					√
b					√
c					√

- a That an administering authority's main committee or committees meet at least quarterly.  
*The Pensions Committee meets quarterly.*
- b That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.  
*There is no formal secondary committee or panel. The Employers' Forum meets regularly, planned around operational requirements. POB meets regularly, aligned to Committee timetable.*
- c That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.  
*A Staff Representative (who represents all current, deferred and retired scheme members) sits on Pensions Committee. 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 and POB members have equal access to committee papers, documents and advice. Minutes of Committee Meetings are published on Norfolk County Councils website:*  
[http://norfolkcc.cmis.uk.com/norfolkcc/Committees/tabid/62/ctl/ViewCMIS\\_CommitteeDetails/mid/381/id/30/Default.aspx](http://norfolkcc.cmis.uk.com/norfolkcc/Committees/tabid/62/ctl/ViewCMIS_CommitteeDetails/mid/381/id/30/Default.aspx)  
*POB minutes are published on the Norfolk Pension Fund's website:*  
<https://www.norfolkpensionfund.org/about-us/local-pension-board/>

## Principle H – Scope

	Not compliant*				Fully compliant
a					√

- a That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements. *The Norfolk Pension Fund adopts a holistic approach to pension fund management. Pensions Committee is responsible for all aspects of the management of the pension fund (investment and administration) and delivery of its services, including all relevant budgets, strategies and service planning.*

## Principle I – Publicity

	Not compliant*				Fully compliant
a					√

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

*The Norfolk Pension Funds Governance Statement and Communication and Customer Care Strategy are published on the Funds' website [www.norfolkpensionfund.org](http://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 2016-17 by Hymans Robertson LLP**

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

### **Description of Funding Policy**

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

- to ensure the long-term solvency of the Fund i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- to ensure that employer contribution rates are stable where appropriate;
- to minimise the long-term cost of the Fund by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Taxpayer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the administering authority to be sufficiently strong, contributions have been stabilised to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which 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 20 years.

### **Funding Position as at the last formal funding valuation**

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme (Administration) Regulations 2013 was as at 31 March 2016. This valuation revealed that the Fund's assets, which at 31 March 2016 were valued at £2,901 million, were sufficient to meet 80% of the liabilities



(i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £710 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2017 to 31 March 2020 were set in accordance with the Fund's funding policy as set out in its FSS.

### **Principal Actuarial Assumptions and Method used to value the liabilities**

Full details of the methods and assumptions used are described in the 2016 valuation report.

#### **Method**

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

#### **Assumptions**

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

The key financial assumptions adopted for the 2016 valuation were as follows:

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

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions used were based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.1 years	24.4 years
Future Pensioners*	24.1 years	26.4 years

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

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

**Experience over the period since 31 March 2016**

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities whilst asset returns have been stronger than expected. Both events have roughly cancelled each other out in terms of the impact on the funding position as at 31 March 2017.

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

A handwritten signature in black ink, appearing to read 'Robert Bilton', is positioned above the printed name and affiliation.

Robert Bilton FFA  
For and on behalf of Hymans Robertson LLP  
28 April 2017

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

## **Appendix VI – Glossary**

### **Active Management**

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

### **Actuarial Valuation**

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

### **Actuary**

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

### **Administering Authority**

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

### **Admitted Bodies**

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

### **Asset Allocation / Asset Mix**

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

### **Assumed Pensionable Pay**

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

### **Auditor**

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

**Benchmark**

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

**Bond**

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

**Collateral**

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

**Currency Forward**

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

**Custody/Custodian**

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

**Exchange Traded Derivatives Contract**

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

**Equities**

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

**Final Pay**

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

### **Fixed Interest Securities**

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

### **FTSE**

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

### **Fund Manager**

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

### **Gilts**

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

### **Hedging**

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

### **Index**

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

### **Index-Linked Securities**

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

### **Initial Margin**

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

### **Investment Advisor**

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

### **Mandate**

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

### **Market Value**

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

### **Outperformance / underperformance**

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

### **Pensionable Pay**

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

### **Performance**

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

### **Portfolio**

Term used to describe all investments held.

### **Private Equity**

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

### **Regulations**

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

### **Resolution Body (designating body)**

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

### **Risk**

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

### **Scheduled Bodies**

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

### **Securities**

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

### **Statement of Investment Principles**

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

### **Transfer Values**

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

### **Unit Trusts**

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

### **Variation Margin**

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

### **Yield Curve**

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