Norfolk Pension Fund

Annual Report and Accounts 2012-13

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Norfolk Pension Fund

The Norfolk Pension Fund passionately believes in providing a quality service to meet the different needs of all our customers in a responsive, fair and cost efficient way…

…we believe this is a team effort…

IN TRAN communication for all

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

I am pleased to introduce the Norfolk Pension Fund's Annual Report and Accounts for 2012-13 – my first as chairman of the Pensions Committee responsible for overseeing the administration and investment management of the Fund.

This has been another challenging year for local government and for those who deliver services on its behalf, and the future looks no less so. As the 'Trustees' of the Local Government Pension Scheme (LGPS) I and all my colleagues on Pensions Committee are very conscious of our responsibilities to our 152 employers, 51,000 scheme members and 20,000 pensioners, and of course the local tax payer.

The public sector continues to re-shape and re-organise to find ways to deliver public services within the financial constraints upon it. The Norfolk Pension Fund is committed to working closely with our scheme employers to help them identify and implement appropriate and sustainable solutions.

On the other side of the coin we are very aware that our scheme members also face very difficult personal decisions about their pensions as economic pressures continue to mount. We are therefore equally committed to working with scheme members to help them understand their pension provision and make well-informed choices.

The reform of pensions across the public sector moves ahead and the new LGPS comes into force next year, a year ahead of the rest of the public service. As April 2014 approaches and the new LGPS scheme moves closer, we will continue to work closely with our employers and scheme members to support them through the changes.

During 2012-13 investment markets provided relatively strong returns despite periods of volatility. The Fund's investment return of 12.6% was particularly encouraging. Looking ahead, our focus of course will be on optimising performance, balancing investment returns and controlling risk. In this context we will continue to concentrate on securing value for money from Fund managers in terms of fees as well as performance – as we do in all other areas of our service.

I would like to record my appreciation to outgoing members of the Pensions Committee for their hard work and commitment during their period in office. I would also like to thank all those involved in the management of the Norfolk Pension Fund over the last year, from Pension Fund staff, employers and external advisors to my colleagues on Pensions Committee.

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

Writing this foreword gives me a valuable moment to reflect – increasingly hard to find in these busy days, but also of increasing value of course.

Our focus both nationally and locally has been, and will continue to be, to try to ensure that all decisions made about the future of the Local Government Pension Scheme are properly thought out and considered - as a consequence delivering efficient, effective and sustainable outcomes in the long term interests of all our stakeholders.

For this reason both 'Trustees' and Officers from the Norfolk Pension Fund have worked closely with the Department for Communities and Local Government (DCLG), the Local Government Association and the LGPS 2014 project to support the reform of the LGPS. Cllr Fuller represents scheme employers on the Investment and Engagement Sub Committee and I am privileged to represent scheme practitioners on the Shadow LGPS Scheme Advisory Board.

Although our investment returns for the year were encouraging (12.6%), there are still significant fiscal challenges ahead for Pension Funds and of course our 152 employers and 71,000 scheme members. Local Government is the first of the reformed public service schemes to go live – a year ahead of the rest of the public sector. LGPS 2014 introduces a career average scheme, fundamentally different to the final salary scheme currently in place. Auto enrolment - the Governments initiative to ensure all UK workers have access to a pension scheme – continues to affect our employers. Therefore we will continue to work very closely with all our stakeholders to support them through the forthcoming changes, helping them in their preparations and decision making.

Supported by DCLG, the Norfolk Pension Fund continues to lead the successful collaboration between several LGPS Funds to establish national procurement frameworks. These frameworks are already helping Funds save time and money when sourcing professional services by optimising our combined buying power, delivering greater value for money for participating Funds while still meeting local service needs and accountability.

I would also like to express my personal thanks to our outgoing and new 'Trustees' and my colleagues at the Norfolk Pension Fund for their solid support and commitment through these complex and interesting times.

Contact Us

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

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

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

General Enquiries:	01603 495923
Retired Members helpline:	01603 495788
Opening hours:	Monday to Friday, 8.45am – 5.30pm (4.30pm on Friday)
Website:	**www.norfolkpensionfund.org**

Management Structure

Administering Authority:	Norfolk County Council (NCC) County Hall Martineau Lane Norwich NR1 2DW
Scheme Administrator:	Paul Brittain, Head of Finance (NCC)
Norfolk Pension Fund Officers:	Nicola Mark, Head of the Norfolk Pension Fund Glenn Cossey, Investment Manager Alex Younger, Pension Fund Investment & Actuarial Services Manager Mark Alexander, Pensions Manager
Legal Advisors:	nplaw (Norfolk Public Law)
Fund Custodian:	The Northern Trust Company
Fund Actuary:	Hymans Robertson LLP
Investment Advisor:	Hymans Robertson LLP
Fund Managers:	Aviva Investors Berenberg Bank (from Jan 2013) Baillie Gifford & Co Capital International Limited Fidelity Pensions Management HarbourVest Partners Henderson Global Investors Goldman Sachs Asset Management Legal & General Investment Management M&G Investments Pareto Investment Management (from Oct 2012) Sarasin & Partners SL Capital Partners (Standard Life) Wellington
Bankers:	The Co-operative Bank
Fund Auditor:	Ernst & Young
Performance Measurement:	WM
AVC Providers:	Clerical Medical Prudential Equitable Life (legacy only)

The Local Government Pension Scheme

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

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

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

This document is the Annual Report of the Norfolk Pension Fund for 2012-13.

The LGPS in brief

- The LGPS is one of the largest public sector pension schemes in the UK, with 4.6 million members

- It is a nationwide pension scheme for people working in local government or for other types of employer participating in the scheme

- The LGPS is administered locally by 99 regional pension funds – one of which is the Norfolk Pension Fund

- It is a funded scheme, which means that the Fund income and assets are invested to meet future pension fund commitments

- Benefits are defined and related to members’ salaries and years of service, so they are not dependant on investment performance. Ultimately the local authority and local taxpayers are the final guarantors

- The scheme is regulated by Parliament

Governance

Governance Statement

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

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

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

Administering Authority

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

- NCC has delegated its pensions functions to the **Pensions Committee**
- NCC has delegated responsibility for the administration and financial accounting of the Fund to the **Head of Finance**
- This report supports NCC's Annual Governance Statement, which is published in the Annual Statement of Accounts

Governance Compliance

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

The full compliance statement is at Appendix IV.

Pensions Committee

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

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

Pensions Committee Membership

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

Pensions Committee Training

The training needs of Committee members are considered alongside the 12-month Committee agenda planning process.

Training is business driven, therefore the programme is flexible. This allows us to effectively align training with operational needs and current agenda items, helping to support member decision making.

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

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

In 2012, this included meeting the Department for Communities and Local Government, Nomura to discuss transition management and Fidelity to talk about corporate governance and stakeholder responsibilities.

Conflict of interests

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

"Please indicate whether the interest is a personal one or one which is prejudicial. A declaration of personal interest should indicate the nature of the interest and the agenda item to which it relates. In the case of a personal interest, the Member may speak and vote on the matter. If a prejudicial interest is declared, the Member should withdraw from the room while the matter is discussed. These declarations apply to all those Members present, whether the Member is part of the meeting, attending to speak as a local Member on an item or simply observing the meeting from the public seating area."

Pensions Committee Agenda Standing Item

Accountability and Transparency

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

Pensions Committee meetings are open to members of the public.

Reference Material

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

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

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

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

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

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

Scheme Administration

The Norfolk Pension Fund Team

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

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

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

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

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

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

Operational costs

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

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

Key Performance Indicators

Norfolk Pension Fund takes part in the annual Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Administration Benchmarking Club. Results of the Key Performance Indicators are published each September, for the previous financial year (1 April to 31 March). The results from 2012-13 are detailed in the chart below:

Task	Target	Norfolk Results	Club Average
Letter detailing transfer-in quote	10 days	95.8%	87.9%
Letter detailing transfer-out quote	10 days	92.7%	89.8%
Process refund and issue payment voucher	5 days	100.0%	87.6%
Letter notifying **estimate** of retirement benefit	10 days	99.7%	90.8%
Letter notifying **actual** retirement benefit	5 days	99.9%	89.5%
Process and pay lump sum retirement grant	5 days	99.9%	90.9%
Letter acknowledging death of member	5 days	98.6%	92.4%
Letter notifying amount of dependant's benefits	5 days	100%	87.5%
Calculate and notify deferred benefits	10 days	99.2%	81.9%

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

Customer Satisfaction

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

How satisfied were you with the service you received from Norfolk Pension Fund?	Pensions Clinics March 2012	Pensions Clinics October 2012
Very satisfied	85%	77%
Satisfied	15%	23%
Neither satisfied or dissatisfied	-	-
Dissatisfied	-	-
Very dissatisfied	-	-

Key Staffing Indicators

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

The results for 2012-13 are detailed in the chart below:

	2008-09		2009-10		2010-11		2011-12		2012-13	
Staff turnover										
Joining	2	7.3%	2	7.0%	0	0.0%	1	4.2%	1	3.8%
Leaving	1	3.6%	2	7.0%	3	11.9%	3	12.7%	1	3.8%
Total staff (FTE)	28.5		28.5		25.3		23.7		26.5	
LGPS Admin Staff (FTE)	21.5		23		20.3		18.7		20	
Members per Staff (FTE)	2826		2769		3221		3613		3541	
Staff to member ratio	1:123		1:120		1:159		1:193		1:177	

(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 maintain a three-year Service Development Plan. This is shared with all of the team and linked into the performance appraisal process.

Data Security

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

- All staff are regularly made aware of the NCC policies in respect of Confidentiality, Data Protection and Information Security
- New staff have these responsibilities and policies explained to them as part of their induction and their understanding is checked
- All administration data is stored electronically and paper records are safely destroyed
- Encrypted laptops are provided to all staff who work away from the office, as part of their regular role or as part of our business continuity plan
- Where data has to be transferred off site we use either secure FTP, VPN, secure email or encrypted storage devices
- Norfolk Pension Fund staff have access to the secure Government Connect network

ICT Strategy

We maintain an ICT strategy document. This brings together the complex and diverse information, communication and technology activities required to directly support our service objectives.

The strategy document is approved by the Head of Information and Communication Technology and the Pensions Committee.

Equality and Diversity

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

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

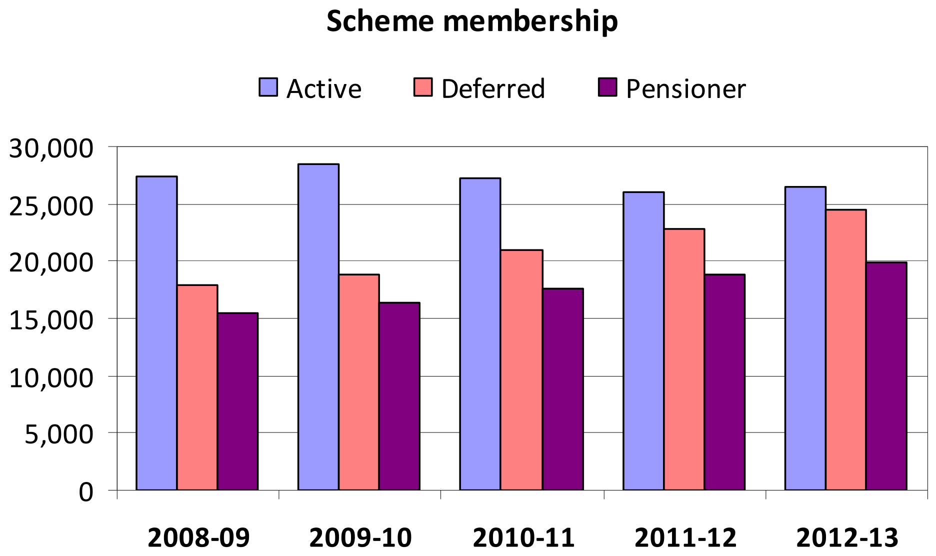
Internal Dispute Resolution Procedure

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

Full details of the procedure can be found in the forms and publications area of our website at www.norfolkpensionfund.org.

There were no IDRPs logged against Norfolk Pension Fund during 2012-13.

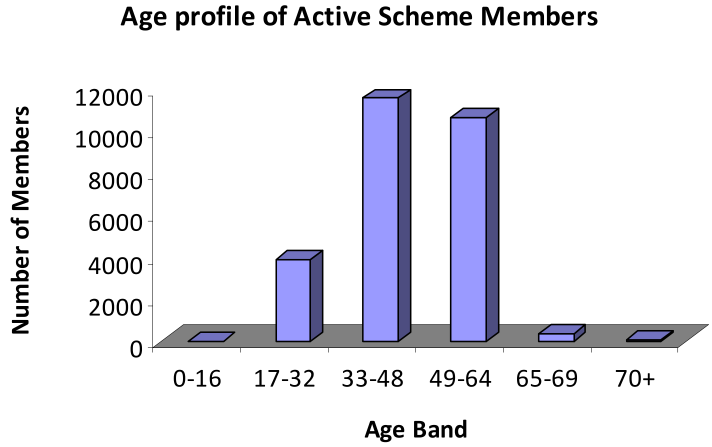
Analysis of membership

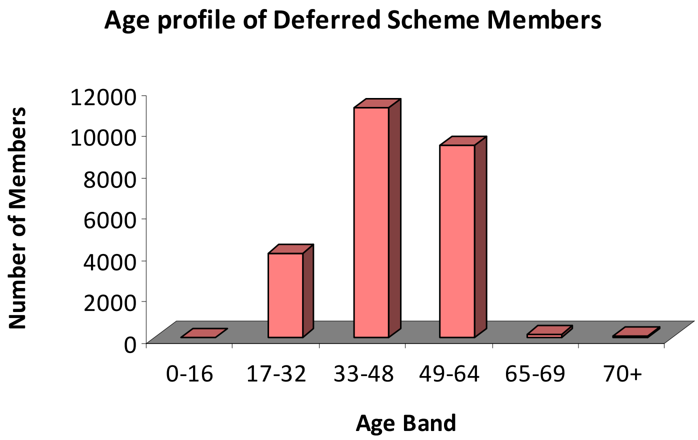


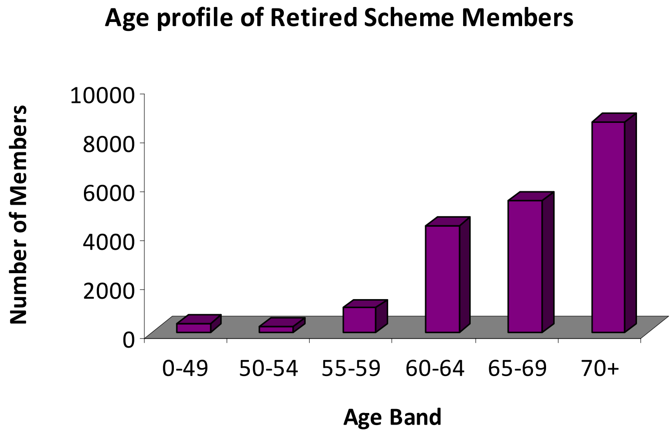
31 March	2008	2009	2010	2011	2012	2013
Active	25,615	27,418	28,405	27,313	25,991	26,439
Deferred	14,877	17,890	18,835	20,909	22,773	24,535
Pensioner	14,662	15,442	16,440	17,563	18,796	19,851
Total	**55,154**	**60,750**	**63,680**	**65,785**	**67,560**	**70,825**

Age profile

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

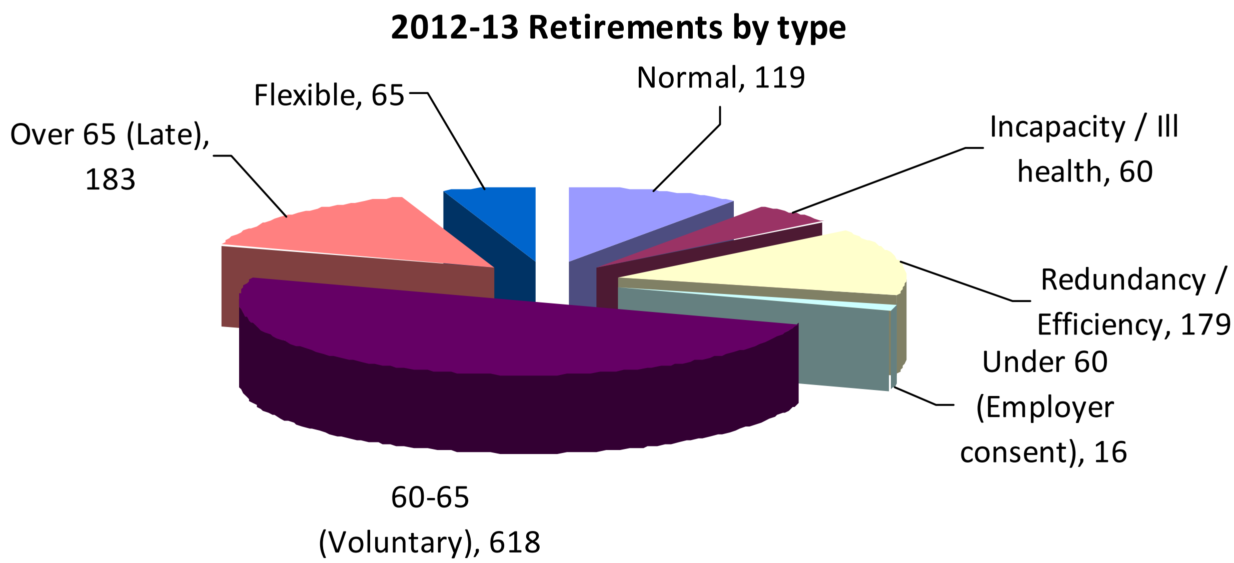






Breakdown of retirements

1,375 scheme members retired in 2012-13, broken down as follows:



Risk management

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

- The Fund's management team regularly review and update the **Risk Register**
- All risks are considered and monitored in light of their likelihood and impact, with any mitigating action taken as necessary
- The **Risk Register** is also reviewed twice a year by the Pensions Committee
- Pension Fund Officers regularly monitor and review **investment risk and performance**
- The Pensions Committee review **investment risk and performance** quarterly and meet with investment managers at least once a year to discuss their performance
- Hymans Robertson LLP provide advice and support to both the Pensions Committee and Fund Officers
- A summary of the key risks and controls in place to mitigate investment risks are included in our **Funding Strategy Statement**, which is available in the publications section of our website at www.norfolkpensionfund.org
- Third party risks such as payments of contributions are robustly monitored. Assurance over third party operations is sought by requesting relevant documentation, such as AAF 01/06 reports*
- An on-going framework of inspection and review by the Fund's internal auditors (Norfolk Audit Services) and external auditors (Ernst & Young) supports and assists with the management of risks

*AAF 01/06 – Assurance Reports on Internal Controls of Service Organisations Made Available to Third Parties. This is a technical release from The Institute of Chartered Accountants in England and Wales (ICAEW). It provides a voluntary reporting framework by external accountants for a number of financial service organisations.

Myners Compliance

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

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

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

Communications

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

In all our communications we aim to:

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

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

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

Online services

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

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

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

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

Investment Policy and Performance

Fund Performance Review for the year 2012-13

Introduction

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

During 2012-13 twelve external investment managers managed the Fund's assets:

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

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

Insight (Pareto) and Berenberg Bank are employed to dynamically hedge the main overseas currency exposures arising on the overseas equity holdings. The Pareto mandate began in October 2012 and Berenberg followed in January 2013.

Subsequent Changes

There have been no changes to the manager line-up since the year end. In August 2013 a reduction was made to the strategic allocation to property (Aviva), facilitating an increase in the strategic allocation to fixed interest (Henderson) and global equities (Wellington and Sarasin).

2012-13 Investment Results

In absolute terms the Fund's investment assets have achieved a return of 12.6% over the 12 months to 31 March 2013, compared to the benchmark return of 12.0%. The majority of this performance occurred in an extremely strong final quarter of the year.

The relative performance of the Fund against its benchmark is improving, reflecting changes that the Pensions Committee have made over the last few years. Longer time periods remain impacted by particularly weak performance in 2009-10 as the Fund lagged a strongly rising market. The Pension Committee and their investment advisor have recognised that the relative performance has been disappointing and have made a number of changes to the investment managers and their mandates over recent years.

Each of the Fund's fixed interest managers (Henderson, M&G and GSAM) added value (exceeded benchmark performance) over the 12 months to 31 March 2013. The overseas equity mandate managed by Fidelity performed particularly strongly but the three year performance number remains lacklustre, being only marginally ahead of its benchmark.

Following the changes made by Committee last March the Capital global equity mandate showed much improved performance and met its outperformance target. Over the 12 month period the outperformance of the Sarasin mandate was very strong but since inception (March 2011) it has yet to achieve the required outperformance target, although it is ahead of benchmark.

The Wellington mandate funded just prior to the start of the financial year got off to a disappointing start and underperformed its benchmark, but in common with the Sarasin mandate does not yet have a three year track record for the Fund upon which to make a meaningful judgement. The performance achieved by the Baillie Gifford UK equity mandate remains particularly strong over all time periods.

Unfortunately the outperformance achieved by these managers was offset by disappointing short and long term performance from Aviva (Property) and private equity as an asset class lagging the very strong performance seen in the benchmark public indices. The Aviva performance did reflect the impact of initial investment costs as the Fund moved to restore the property allocation towards its strategic benchmark and disappointing outcomes from some Continental European investments.

The illiquidity and relative immaturity of the Fund's private equity investments, together with the impact of currency movements and ongoing draw-downs, mean that the performance recorded for the underlying funds continues to be volatile. However, as global corporate finance activity continued to pick up during the financial year, the Fund saw a continuation of the cash returns from investments made by the managers early in the programme.

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

% Return	2012-13 % per annum	3 Years % per annum	5 Years % per annum	10 Years % per annum
Total Fund Return	12.6	7.4	4.8	8.6
Fund Benchmark Return	12.0	7.2	5.7	9.2

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.

Investment Market Review to 31 March 2013

Introduction

This commentary provides an overview of performance and major events in global financial markets for the three year period ended 31 March 2013, whilst focusing in particular on the latest 12 months.

Review of Global Financial Markets

During the 12 month period, confidence returned to many stock markets around the world, leading to very strong returns for investors in most areas. Even in economies where uncertainty persisted, market performance was generally positive. This marked a turnaround from the previous 12 months, where attractive returns were scarce across most equity markets.

The European Central Bank implemented a series of measures which brought some stability to the Eurozone. However, underlying issues persisted, with Greece and Spain in particular remaining some way from reaching a resolution to their economic woes, while Cyprus - despite its size and limited economic impact - became a source of concern for markets late in the period.

Nevertheless, strong returns from European shares over the period (up 18%) suggested that investors were becoming less fearful of a catastrophic breakup of the single currency. Meanwhile, confidence gradually returned, creating a healthier backdrop for US economic growth, underpinned by some signs of recovery in the housing market and a partial solution at least to the problem of the so-called 'fiscal cliff'.

In fact, US equities ended the period at record high levels after posting a rise of 19% in sterling terms (the appreciation of the US Dollar against most currencies helped). The UK stock market also fared well, recording a 17% increase. Developed Asia gained 26% and Japan rose 14% (though was up 24% in local currency Yen terms). The latter did well from so-called 'Abenomics' as the Japanese, under the leadership of new Prime Minister Shinzo Abe, did their best to kick-start the economy through a platform of aggressive monetary and fiscal stimulus, engendering a depreciation in the yen in order to bolster the big exporters.

Emerging Markets were the notable laggard among the major regional equity markets, despite ending the period 8% higher. The shortfall on returns from other areas was at least partly attributable to broadly-based concerns over the extent to which growth in the Chinese economy could be slowing down.

This showed through quite clearly in some areas of markets around the globe, with most mining and oil stocks performing poorly in share price terms. Given the prominent role which China plays as the 'marginal buyer' for many commodities, this was perhaps unsurprising. On the other hand, the extent to which some of the more 'defensive' market areas (such as healthcare and consumer staples) rallied in a period of generally buoyant global equity returns was notable, as investors apparently craved 'certainty' in a still uncertain world.

Underpinned by the concerted efforts of many central banks to implement their 'quantitative easing' programmes (essentially, pumping money into economies by buying bonds), UK government bonds rose by slightly more than 5% over the year, and overseas government bonds posted a similar return of 4.5%, the latter measured in local currency terms.

Perhaps the most prominent feature was the near 12% rise in UK inflation-protected bonds as inflationary measures in the UK remained stubbornly high. Corporate bond markets were also generally strong, with the extra yield proving attractive to investors seeking to improve their returns in the low interest rate environment and the miserable returns available on cash. UK corporate bonds gained 12%. Many companies sought to take advantage of this demand for their corporate debt and new issuance of bonds was high.

UK commercial property posted only modest returns over the year, perhaps reflecting the backdrop of a still-languishing UK economy. As noted above, the returns across commodity markets were generally somewhere between lacklustre and poor.

Despite the dull performance of an economically-sensitive asset class like commodities, it is worthwhile pausing to note that the global economy is continuing to grow. The Emerging Markets are a key part of this of course, and Chinese growth in 2012 was just under 8%, despite the market fears noted above of a calamitous slowdown.

US economic expansion has latterly been at around the 2% level and is still expected to be around that for 2013 as a whole, helped by stabilisation in the housing market, the prospect of re-emerging consumer demand and increasing international competitiveness.

Certainly, the UK and much of Europe remain in the economic doldrums, but that is better than being in a storm - it does indicate though that the financial crisis and related debt burden have not yet worked their way fully through the system and this could still be reflected in further bouts of volatility for investors in financial markets during the period ahead.

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

Funding Strategy Statement

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

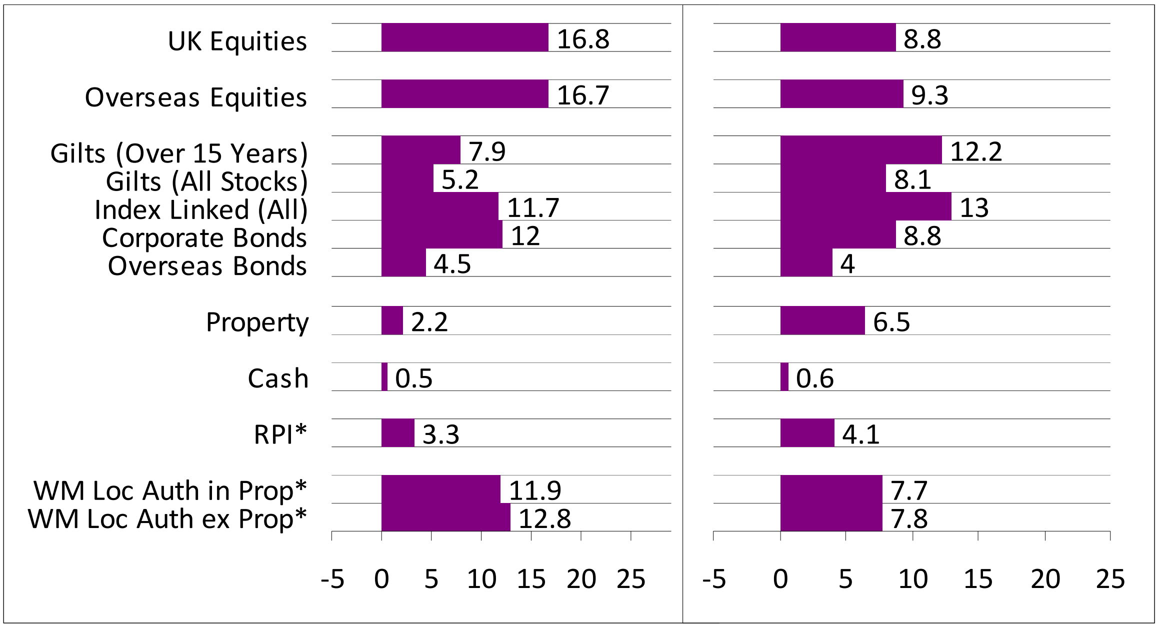
Statement of Investment Principles

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

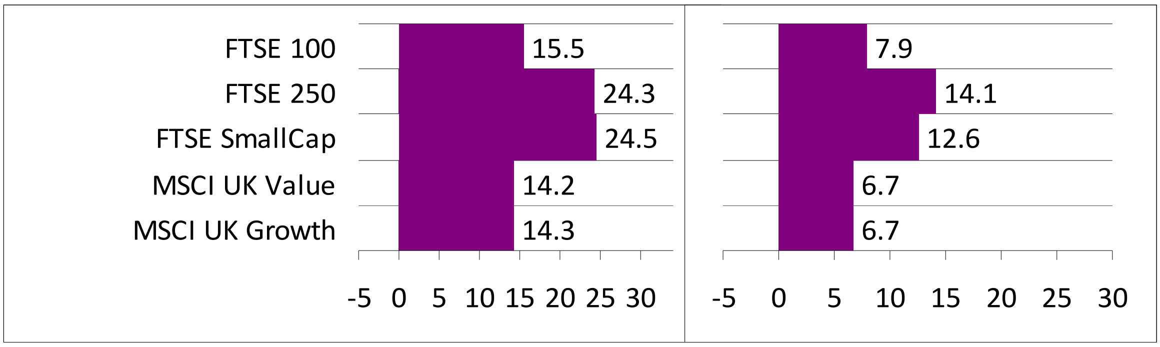
Historic Returns for World Markets

12 Months (%) — **3 Years (% pa)**

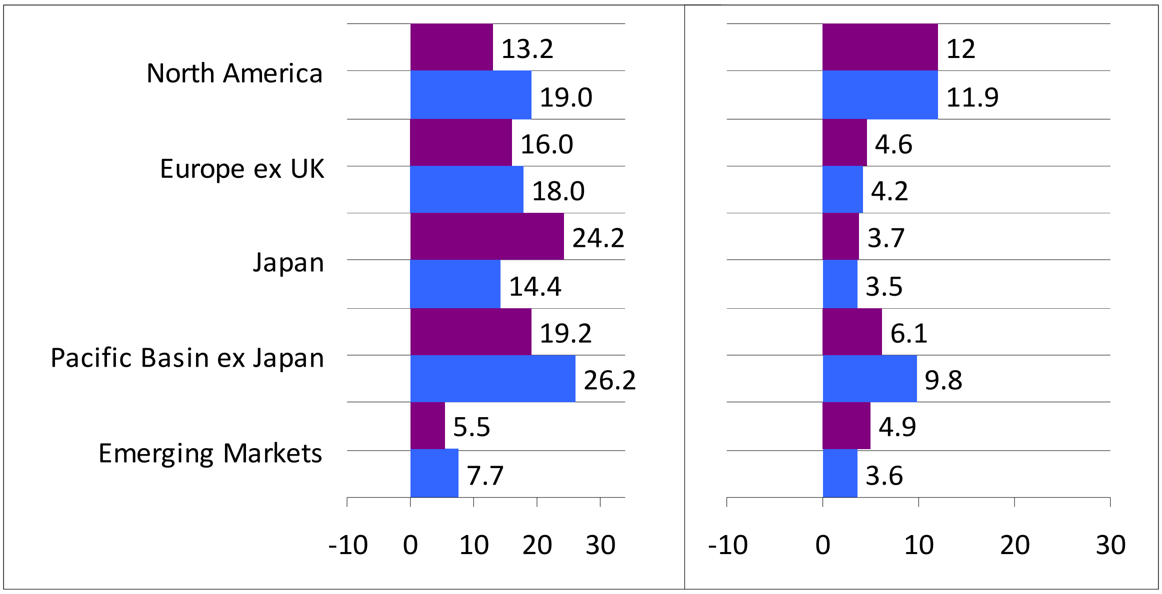
Major Classes



UK Market



Overseas Assets



*** Estimate** Local Sterling

National representation and involvement

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

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

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

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

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

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

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

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

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

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

Norfolk Pension Fund

2012-13 Statement of Accounts

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required:

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

The Head of Finance's Responsibilities

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

In preparing this statement of accounts, the Head of Finance has:

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

The Head of Finance has also:

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

Certificate by the Head of Finance

I certify the statement of accounts set out on pages 33 to 91 presents a true and fair view of the financial position of the Norfolk Pension Fund at the accounting date and its income and expenditure for the year ended 31 March 2013.

Signed: ______________________

Paul Brittain
Head of Finance and Fund Administrator

Date: 26th September 2013

Independent Auditor’s Report

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

Opinion on the pension fund financial statements

We have audited the pension fund financial statements for the year ended 31 March 2013 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 28. 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 2012/13.

This report is made solely to the members of Norfolk County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audi commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of the Head of Finance Responsibilities set out on page 30, the Head of Finance is responsible for the preparation of the Pension Fund’s 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 2012/13, 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 Head of Finance and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Norfolk Pension Fund Annual Report and Accounts 2012-13 to identify material inconsistencies with the audited financial statements. 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 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the Norfolk Pension Fund Annual Report and Accounts 2012-13 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Peter O'Neill
for and on behalf of Ernst & Young LLP, Appointed Auditor
Reading

30th September 2013

Revenue and Fund Account

For the Year Ended 31 March 2013

2011-12 £000		Notes	2012-13 £000
	Dealings with members, employers and others directly involved in the Fund		
111,110	Contributions	7	111,682
18,320	Transfers in from other pension funds	8	16,467
129,430			**128,149**
-108,844	Benefits	9	-111,801
-3,841	Payments to and on account of leavers	10	-5,278
-1,635	Administration expenses	11	-1,709
-114,320			**-118,788**
15,110	**Net additions/withdrawals from dealings with members**		**9,361**
	Returns on investments		
50,005	Investment income	12	54,007
-376	Taxes on income	13	-342
-10,074	Profit and losses on disposal of investments and changes in the market value of investments	15a	232,679
-8,242	Investment management expenses	14	-10,101
31,313	**Net return on investments**		**276,243**
46,423	**Net increase/decrease in the net assets available for benefits during the year**		**285,604**
2,151,188	**Opening net assets of the scheme**		**2,197,611**
2,197,611	**Closing net assets of the scheme**		**2,483,215**

Net Assets Statement

As at 31 March 2013

2011-12 £000			Notes	2012-13 £000	
2,176,648		Investment assets	15	2,475,509	
-8,131		Investment liabilities	15	-17,480	
	2,168,517				**2,458,029**
9,557		Long term debtors	20	8,748	
	9,557				**8,748**
		Current Assets			
18,521		Debtors	20	17,928	
5,528		Cash in hand	20	4,461	
24,049				**22,389**	
		Current Liabilities			
-4,512		Creditors	21	-5,951	
-4,512				**-5,951**	
	19,537	**Net current assets**			**16,438**
	2,197,611	**Net assets of the Fund available to fund benefits at the period end**			**2,483,215**

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:

Paul Brittain
Head of Finance

Date: 26th September 2013

Notes to the Accounts

1. Description of Fund

The Norfolk Pension Fund ("the Fund") is part of the Local Government Pension Scheme and is administered by Norfolk County Council (“the Administering Authority”). The Administering Authority is the reporting entity for this pension fund.

The following description of the Fund is a summary only. For more detail, reference should be made to the Norfolk Pension Fund Annual Report 2012-13 and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

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

- the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- the LGPS (Administration) Regulations 2008 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2009

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

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

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

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

b) Membership

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

Organisations participating in the Norfolk Pension Fund include:

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

There are currently 152 employer organisations with active members in the Norfolk Pension Fund including Norfolk County Council as detailed below:

	31 March 2013	31 March 2012
Number of Employers with Active Members	**152**	**134**
Number of Employees in Scheme		
Norfolk County Council	15,457	15,529
Other Employers	10,982	10,462
Total	**26,439**	**25,991**
Number of Pensioners		
Norfolk County Council	10,325	9,794
Other Employers	9,526	9,002
Total	**19,851**	**18,796**
Deferred Pensioners		
Norfolk County Council	15,279	14,275
Other Employers	9,256	8,498
Total	**24,535**	**22,773**

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

Employers ceasing to have active employees in the Fund:	Employers joining the active section of the Fund:
1. Age UK Norwich	1. 4Children
2. Amey Infrastructure Services	2. Acle Academy
3. ARP Trading	3. Admirals
4. Biffa Cleansing and Grounds	4. Action for Children (Dereham)
5. Cley Parish Council	5. Action for Children (Hethersett)
6. Crossroads Care East Anglia	6. Action for Children (Thorpe)
7. Easton College	7. Action for Children (Wells)
8. Norfolk Rural Community Council	8. Aylmerton Parish Council
9. South Walsham Parish Council	9. Beighton PC
10. Stibbard Parish Council	10. Circle Care and Support
11. Tasburgh Parish Council	11. Costessey Junior School
	12. Diamond Academy
	13. Easton and Otley College
	14. Eaton Hall Specialist Academy
	15. Flegg High School
	16. Great Yarmouth Community Trust
	17. Great Yarmouth Primary Academy
	18. Hellesdon High School Academy
	19. Hobart High School Academy
	20. Hunstanton Town Council
	21. Iceni Academy
	22. Martham Parish Council
	23. NCS (Assistive Technology)
	24. Norfolk Educational Services (NES)
	25. Norwich Norse
	26. Ormiston Children and Families Trust
	27. Reepham High School and College
	28. RM Education
	29. The Nicholas Hamond Academy

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

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 5.5% to 7.5% of pensionable pay for the financial year ending 31 March 2013.

Full-time equivalent salary 2012-13	Full-time equivalent salary 2013-14	Contribution rate per year
Up to £13,500	Up to £13,700	5.5%
£13,501 - £15,800	£13,701 - £16,100	5.8%
£15,801 - £20,400	£16,101 - £20,800	5.9%
£20,401 - £34,000	£20,801 - £34,700	6.5%
£34,001 - £45,500	£34,701 - £46,500	6.8%
£45,501 - £85,300	£46,501 - £87,100	7.2%
More than £85,300	More than £87,100	7.5%

Employee contribution rates are prescribed by the governing regulations, and cannot be varied locally. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last valuation was at 31 March 2010 and work on the March 2013 valuation is under way. Current employer contribution rates, based on the 2010 valuation, range from 8% to 26.8% of pensionable pay.

d) Benefits

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary
Lump Sum	Automatic lump sum of 3 x salary	No automatic lump sum
Additional Lump sum	Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up	Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up

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

Benefits are index-linked in order to keep pace with inflation. In June 2010, the Government announced that the method of indexation would change from the retail prices index to the consumer prices index. This change took effect from 1 April 2011. The 2013 pensions increase was 2.2% (5.2% in 2012).

LGPS 2014

It is expected that new regulations setting out details of LGPS 2014 will be laid in the autumn of 2013, ready for implementation on the 1st April 2014.

As part of the LGPS 2014 timetable, the government will commence statutory consultation later in the autumn and following that will issue “Benefits” and “Transitional” Provisions legislation and “Governance” Regulations, in order to implement these proposals. The main provisions of the proposed LGPS 2014 are as follows:

- A Career Average Revalued Earnings (CARE) scheme using CPI as the revaluation factor (the current scheme is a final salary scheme).
- An accrual rate of 1/49th (the current scheme is 1/60th).
- No normal scheme pension age, instead each member’s Normal Pension Age (NPA) would be their State Pension Age (the current scheme has an NPA of 65).
- Average member contributions to the scheme would be 6.5% (same as the current scheme). The rate will be determined on actual pay (including non-contractual overtime and additional hours for part time staff (the current scheme determines part-time contribution rates on full time equivalent pay).
- A 50/50 option that will allow members to elect to pay half contributions for half the pension, while still retaining the full value of other benefits (the current scheme has no such flexible option).
- For current scheme members, benefits for service prior to 1st April are protected, including remaining ‘Rule of 85’ protection. Protected past service continues to be based on final salary and current NPA.
- Death in Service 3 times pensionable pay.
- Vesting Period 2 years (current scheme is 3 months).

2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2012-13 financial year and its position at year-end as at 31 March 2013. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13 which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

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

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

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

The 2011-12 comparator figures for derivatives have been re-presented to reflect the split between assets and liabilities, in line with the 2012-13 presentation. The 2011-12 figures for Investment Management expenses in Note 14 have also been re-presented in line with the more detailed 2012-13 presentation.

3. Summary of Significant Accounting Policies

Fund Account - Revenue Recognition

a) Contribution income

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

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

b) Transfers to and from other schemes

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

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

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

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

c) Investment income

i) Interest income

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

ii) Dividend income

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

iii) Distributions from pooled funds

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

iv) Property-related income

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

v) Movement in the net market value of investments

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

Fund Account - Expense Items

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

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

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

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

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

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

	2012-13 £000	2011-12 £000
Performance-related fees	947	620

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

	2012-13 £000	2011-12 £000
Value of fees based on estimates	2,149	1,392

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

Net Assets Statement

h) Financial assets

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

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

i) Market-quoted investments

The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

ii) Fixed interest securities

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

iii) Unquoted investments

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

- Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the council expects to receive on wind-up, less estimated realisation costs
- Securities subject to takeover offer - the value of the consideration offered under the offer, less estimated realisation costs

- Directly held investments included investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement
- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager
- Investments in private equity funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the appropriate industry guidelines

iv) Limited partnerships

Fair value based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

v) Pooled investment vehicles

Pooled investment vehicles are valued at closing bid prices if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the Fund, net of applicable withholding tax.

vi) Freehold and leasehold properties

The property holding was valued at open market value on 31 March 2013 by NPS Property Consultants Ltd using a MRICS qualified Valuer in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards 2012. The basis of valuation is defined by the Standard as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion". NPS Property Consultants Ltd is an employer within the Norfolk Pension Fund and the surveyor that undertook the valuation was a contributing member when the valuation was completed.

i) Foreign currency transactions

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

j) Derivatives

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

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

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

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

k) Cash and cash equivalents

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

l) Financial liabilities

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

m) Actuarial present value of promised retirement benefits

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

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

n) Additional voluntary contributions (AVCs)

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

AVCs are held by the providers and do not form part of the Fund's assets. These amounts are not included in the main Fund accounts in accordance with Regulation 4 (2) (b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009 but are disclosed as a note only (note 22).

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

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

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)

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.

	2012-13 £000	2011-12 £000
Value of unquoted private equity	181,608	169,839

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary. The assumptions underpinning the valuations are agreed with the actuary and are summarised in note 18. In accordance with IAS26 the Fund is also required to disclose on an annual basis the actuarial present value of promised retirement benefits (see note 19). Actuarial methodology used in triennial valuations is different from that used in IAS26, therefore they will produce different liability values at a common valuation date.

The liability estimates in Notes 18 and 19 are subject to significant variances based on changes to the underlying assumptions and actual future experience related to the development of pension liabilities.

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

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (measured under IAS26)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £316 million. A 0.25% increase in the assumed earnings inflation would increase the value of liabilities by approximately £54 million, a 0.5% increase in the pension increase rate would increase the liability by approximately £223 million and a one-year increase in assumed life expectancy would increase the liability by approximately £107 million.
Private Equity	Private equity investments are valued at fair value in accordance with appropriate standards and guidance. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £181.6 million. There is a risk that this investment may be under or overstated in the accounts.

6. Events after the Balance Sheet Date

There have been no events since 31 March 2013, and up to the date when these accounts were authorised, which require any adjustments to these accounts.

7. Contributions Receivable

By Category

2011-12 £000		2012-13 £000
78,363	Employers – normal	81,912
867	Employers – special	801
54	Employers – augmentation	206
4,555	Employers – strain	2,250
26,259	Members – normal	25,587
1,012	Members – purchase of additional scheme benefits	926
111,110		**111,682**

By Authority

2011-12 £000		2012-13 £000
52,846	Administering authority	50,133
38,772	Other scheduled bodies	38,853
5,460	Community admission bodies	5,595
962	Transferee admission bodies	3,181
13,070	Resolution bodies	13,920
111,110		**111,682**

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

Where applicable the actuarial certification of the employers' contribution rate includes an element in respect of deficit funding estimated to recover the deficit on that employers section of the Fund over an agreed period.

2011-12 £000		2012-13 £000
15,391	Deficit recovery contribution included in employers normal contributions	20,151
15,391		**20,151**

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

The LGPS provides scope for employers to award additional years of membership on retirement. If an employer opts to award augmented membership he 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:

2011-12 £000		2012-13 £000
42	Strain instalments due after the balance sheet date	9
42		**9**

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 2013.

8. Transfers In From Other Pension Funds

2011-12 £000		2012-13 £000
8,881	Group transfers	8,176
9,439	Individual transfers	8,291
18,320		**16,467**

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

In 2011-12 The transfers in figure represents the payments received by the Fund in relation to individual members' transfers of benefit into the Fund from other pension arrangements and two bulk transfer settlements received in the year from the Principal Civil Service Pension Scheme in respect of Learning & Skills Council employees transferred to Norfolk County Council and the London Borough of Waltham Forest in respect of employees transferred to NPS London Ltd.

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.

2011-12 £000		2012-13 £000
10,953	HMCS total present value	8,504
10,953		**8,504**

The discounted value of these cash flows is included in debtor balances at the year-end. The total present value of these payments is calculated as £8.5 million. As the payment is being made direct by the sponsoring government department rather than from the PCSPS (a registered pension scheme), the income has been classified as employer special contributions.

9. Benefits Payable

By Category

2011-12 £000		2012-13 £000
80,092	Pensions	87,606
26,366	Commutation and lump sum retirement benefits	21,886
2,386	Lump sum death benefits	2,309
108,844		**111,801**

By Authority

2011-12 £000		2012-13 £000
53,142	Administering authority	51,766
41,612	Other scheduled bodies	44,179
4,167	Community admission bodies	4,555
2,354	Transferee admission bodies	3,194
7,569	Resolution bodies	8,107
108,844		**111,801**

10. Payments To and On Account of Leavers

2011-12 £000		2012-13 £000
19	Refunds to members leaving service	13
3,822	Individual transfers	5,210
0	Payment made under Regulation 74, 75 and 15(3) of the Local Government Pension Scheme (Administration) Regulations 2008	55
3,841		**5,278**

11. Administrative Expenses

The Local Government Pension Scheme Regulations enables administration expenses to be charged to the Fund.

Internal Audit Services are provided by Norfolk Audit Services, the internal audit function of the Administering Authority. Internal legal fees represent the total cost of internal advice provided by the legal services unit of the Administering Authority (NPLaw).

2011-12 £000		2012-13 £000
1,053	Employee Costs	1,073
373	Operational support services	445
86	Communication expenses	83
45	Actuarial fees	42
22	Internal audit fees	17
40	External audit fees	23
11	Internal legal fees	19
5	External legal fees	7
1,635		**1,709**

12. Investment Income

2011-12 £000		2012-13 £000
6,355	Income from fixed interest securities	6,038
16,637	Equity dividends	17,811
10,084	Pooled Property investments	11,073
11,394	Pooled fund income - unit trusts and other managed funds	11,283
723	Private equity income	2,971
4,388	Pooled funds rebate	4,463
205	Stock lending	155
210	Interest on cash deposits	189
0	Property (Note 12a)	21
9	Other	3
50,005		**54,007**

12a. Property Income

2011-12 £000		2012-13 £000
0	Rental income	21
-188	Direct operating expenses	-8
-188	**Net income**	**13**

13. Taxes on Income

2011-12 £000		2012-13 £000
324	Withholding tax - equities	305
52	Withholding tax – pooled investments	37
376		**342**

14. Investment Expenses

2011-12 £000		2012-13 £000
3,594	Management fees – invoiced ad valorem	4,617
620	Management fees – invoiced performance	947
1,083	Management expenses on unit trusts	1,453
2,452	Private Equity – fund of fund fees	2,714
188	Direct Property	8
84	Custody fees	96
8	Performance monitoring service	7
153	Actuarial fees - investment consultancy	57
5	Internal legal fees	2
20	External legal fees	113
24	Governance & Voting Services	24
11	Derivative commission fees	63
8,242		**10,101**

15. Investments

Market Value 31 March 2012 £000		Market Value 31 March 2013 £000
	Investment assets	
112,838	Fixed Interest Securities	119,061
621,289	Equities	744,493
949,662	Pooled Investments	1,109,477
274,311	Pooled property investments	276,139
169,839	Private equity Partnerships	181,608
395	Property	454
1	Derivatives – futures	0
2,461	Derivatives - forward currency	1,537
42,908	Cash deposits	40,376
2,944	Amounts receivable for sales	2,364
2,176,648	**Total investment assets**	**2,475,509**
	Investment liabilities	
-104	Derivatives – futures	-1,640
-756	Derivatives - forward currency	-7,165
-7,271	Amounts payable for purchases	-8,675
-8,131	**Total investment liabilities**	**-17,480**
2,168,517	**Net investment assets**	**2,458,029**

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

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

15a. Reconciliation of Movements in Investments and Derivatives 2011-12

	Market value 1 April 2011 £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 2012 £000
Fixed interest securities	**151,111**	70,280	-116,126	7,573	**112,838**
Equities	**505,032**	610,584	-474,059	-20,268	**621,289**
Pooled investments	**1,020,080**	141,064	-216,659	5,177	**949,662**
Pooled property investments	**243,937**	50,429	-18,598	-1,457	**274,311**
Private equity Partnerships	**156,272**	24,262	-11,269	574	**169,839**
Property	**395**	0	0	0	**395**
	2,076,827	**896,619**	**-836,711**	**-8,401**	**2,128,334**
Derivative contracts:					
- Futures	**-1,543**	14,308	-4	-12,864	**-103**
- Forward currency contracts	**-1,768**	32,513	-36,377	7,337	**1,705**
	-3,311	**46,821**	**-36,381**	**-5,527**	**1,602**
Other investment balances:					
- Cash deposits	**49,597**			3,854	**42,908**
- Amount receivable for sales of investments	**992**				**2,944**
- Amount payable for purchases of investments	**-4,622**				**-7,271**
Net investment assets	**2,119,483**			**-10,074**	**2,168,517**

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 2012-13	£567,000
Transaction costs incurred during 2011-12	£879,000

15b. Analysis of Investments (excluding derivative contracts)

2011-12 £000		2012-13 £000
	Fixed Interest Securities	
	UK	
65,448	Corporate quoted	68,911
	Overseas	
515	Public sector quoted	478
46,875	Corporate quoted	49,672
112,838		**119,061**
	Equities	
	UK	
224,546	Quoted	271,034
	Overseas	
396,743	Quoted	473,459
621,289		**744,493**
	Pooled Funds - additional analysis	
696,983	Unit trusts	818,775
191,138	Unitised insurance policies	223,383
61,541	Other managed funds	67,319
949,662		**1,109,477**
274,311	Pooled property investments	276,139
169,839	Private equity	181,608
395	Direct Property	454
444,545		**458,201**
2,128,334		**2,431,232**

15b. Analysis of Derivatives

Objectives and policies for holding derivatives

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

a) Futures

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

The Fund has authorised the use of futures by Henderson and M&G to assist in meeting the investment objectives that they have been set. Specifically in the M&G portfolio futures are used to hedge the risk of a future rise in gilt yields and its impact on the portfolio. Henderson did not hold any futures contracts in its portfolio at 31 March 2013 (2012 nil).

b) Forward foreign currency

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

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

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

The Fund also requires Aviva to hedge 100% of the currency exposure arising from its discretionary (off-benchmark) investments in global (ex-UK) property funds. This hedging activity covers US Dollar, Euro, Yen and Australian Dollar exposures. Similarly M&G are required to hedge 100% of the non-Sterling currency exposure (Euro) within its fixed interest portfolio.

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

Futures

Outstanding exchange traded futures contracts are as follows:

Type	Expires	Economic Exposure £000	Market Value 31 March 2012 £000	Economic Exposure £000	Market Value 31 March 2013 £000
Assets					
UK fixed interest	Less than 1 year	-9,921	1	0	0
Total assets			**1**		**0**
Liabilities					
UK fixed interest	Less than 1 year	-96,106	-104	-95,344	-1,640
Total liabilities			**-104**		**-1,640**
Net futures			**-103**		**-1,640**

Included within cash balances is £3,100,000 (2012 £1,622,000) in respect of initial and variation margins arising on open futures contacts at the year end.

Open forward currency contracts

Settlement	Currency bought	Local value 000	Currency sold	Local value 000	Asset value £000	Liability value £000
Up to one month	£	9,086	AUD	-13,809	0	-381
Up to one month	£	15	CAD	-24	0	0
Up to one month	£	27	DKK	-241	0	0
Up to one month	£	117,330	EUR	-138,278	363	0
Up to one month	£	107,104	JPY	-15,357,971	0	-499
Up to one month	£	282,046	$	-436,331	0	-5,340
Up to one month	£	1	ZAR	-15	0	0
Up to one month	EUR	67,562	£	-58,094	0	-944
Up to one month	EUR	1,772	$	-2,271	3	0
Up to one month	HKD	322	£	-27	0	0
Up to one month	JPY	942,262	£	-6,573	29	0
Up to one month	$	207,395	£	-135,459	1,141	0
Up to one month	$	5	JPY	-476	0	0

Open forward currency contacts at 31 March 2013	**1,536**	**-7,164**
Net forward currency contracts at 31 March 2013		**-5,628**
Prior year comparative		
Open forward currency contacts at 31 March 2012	**2,461**	**-756**
Net forward currency contracts at 31 March 2012		**1,705**

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

Symbol / Acronym	Currency
£	British pounds (Sterling)
$	United States dollar
AUD	Australian dollar
CAD	Canadian dollar
DKK	Danish krone
EUR	Euro
HKD	Hong Kong dollar
JPY	Japanese yen
SGD	Singapore dollar
ZAR	South African rand

15b. Investments Analysed by Fund Manager

Market Value 31 March 2012 £000	%		Market Value 31 March 2013 £000	%
389,758	17.97	Fidelity	466,168	18.97
277,326	12.79	Aviva Investors	283,769	11.54
223,672	10.31	Capital International Ltd	267,647	10.89
209,673	9.67	Baillie Gifford & Co	247,561	10.07
216,635	9.99	Henderson Global Investors	231,495	9.42
191,138	8.81	Legal & General Investment Management	223,383	9.09
124,601	5.75	Sarasin & Partners	153,235	6.23
126,646	5.84	Wellington International	147,796	6.01
108,772	5.02	Goldman Sachs Asset Management	131,285	5.34
116,559	5.38	M&G	122,288	4.98
94,173	4.34	SL Capital Partners	97,003	3.95
75,665	3.50	HarbourVest Partners	84,605	3.44
13,899*	0.63	Northern Trust*	6,732	0.27
0	0.00	Berenberg Bank (Implemented January 2013)*	702	0.03
0	0.00	Pareto (Implemented October 2012)*	-5,640	-0.23
2,168,517	100.0		2,458,029	100.00

All the above companies are registered in the United Kingdom.

* The assets held by Northern Trust represent cash held in money market funds primarily to meet the cash flow requirements of the Fund's private equity programme and monies held for property investment. At 31st March 2012 the value included the forward currency contracts held in respect of the passive currency hedging programme. At 31st March 2013 the custodian no longer undertook this activity and currency hedging contracts in respect of the Fund's overseas equity holdings are reported in the Pareto and Berenberg Bank holdings. The market value of the contracts could represent a payable or receivable.

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

Security	Market Value 31 March 2012 £000	Percentage of total fund %	Market Value 31 March 2013 £000	Percentage of total fund %
Legal & General UK Equity Index Fund	191,138	8.7	223,383	9.0
Fidelity Institutional Exempt America Fund	137,363	6.3	158,068	6.4
Goldman Sachs Strategic Absolute Return (STAR) Bond Fund	108,772	4.9	131,285	5.3
Fidelity Institutional Europe Fund	109,803	5.0	126,775	5.1

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

Each holding is a pooled investment vehicle. The underlying holdings of the America Fund comprised 268 stocks at 31 March 2013 (2012 239). The Europe Fund comprised 67 holdings at the same date (2012 68). The Goldman Sachs STAR Fund held 1,121 (2012 825) individual positions at 31 March 2013. At 31 March 2013 the UK Equity Index Fund held 597 (2012 614) stocks compared with the 598 (2012 614) stocks in the equity index that it tracks (FTSE all-share).

The Legal &General investment is a unit linked contract of long term insurance ("the policy") issued by Legal & General Assurance (Pensions Management) Limited ("PMC"), to which units are allocated in the range of pooled investment funds operated as portfolios of assets ("PF Sections). The policy falls within Class II of Part II of Schedule 1 to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, and is not a "with profits" contract. The value of the units in a PF Section are directly linked to the assets legally and beneficially owned by PMC and held in that PF section and units may be surrendered and their value realised in accordance with the conditions applying to the Policy (including at PMC's discretion, by a transfer of assets in specie). The value is incorporated into the net asset statement within other managed funds. The underlying assets are predominantly quoted UK equities but may also include uninvested cash and futures.

Within the Reconciliation of the Movements in Investments, the following investments represented more than 5% of the asset class or type at 31 March 2013:

Holding/Investment Type	Market Value 31 March 2013 £000	Percentage of asset class %
Pooled investments		
Legal & General UK Equity Index Fund	223,383	20.13
Fidelity Institutional Exempt America Fund	158,068	14.25
Goldman Sachs Strategic Absolute Return Bond Fund	131,285	11.83
Fidelity Institutional Europe Fund	126,775	11.43
Henderson Long Dated Credit Fund	102,258	9.22
Fidelity Institutional Japan Fund	83,875	7.56
Pooled property investments		
Threadneedle Property Unit Trust	21,682	7.85
Standard Life Pooled Property Fund	21,450	7.77
Aviva Investors Pensions Property Fund	20,809	7.54
Blackrock UK Property Fund	19,030	6.89
Standard Life UK Retail ParkTrust	16,938	6.13
Industrial Property Investment Fund	15,790	5.72
Lothbury Property Trust	15,262	5.53
Private equity		
Standard Life European Strategic Partners 2004	48,967	26.96
Harbourvest VIII Cayman Buyout Fund	43,908	24.18
Standard Life European Strategic Partners 2006	34,595	19.05
Harbourvest VIII Cayman Venture Fund	23,543	12.96
Standard Life European Strategic Partners 2008	13,441	7.40
Harbourvest VII 2005 Cayman Buyout Fund	12,439	6.85
Direct Property		
Hamlin Way, King's Lynn	454	100.00
Derivatives - Futures		
June 2012 Long GILT Future	-865	52.74
June 2012 Medium GILT Future	-764	46.56

15c. Stock Lending

	31 March 2013 £000	31 March 2012 £000
Value of quoted equities on loan	53,605	71,885
Fair value of collateral held by Custodian	58,168	76,442
Collateral relative to stock on loan (percentage coverage)	109%	106%

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

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

The maximum value of stock that may be on loan is £150m and an individual borrower limit (applied at the parent borrower level) of £25m is applied.

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

Asset Type	Value on loan at 31 March 2013 £000	Value on loan at 31 March 2012 £000
UK Equities	21,667	34,815
Overseas Equities	22,559	18,506
Corporate Bonds	9,379	18,564

At 31 March 2013, securities were on loan to 13 separate borrowers representing 11 parent groups. The largest single parent exposure was 32% of the lending programme.

15d. Property Holdings

Year ending 31 March 2012 £000		Year Ending 31 March 2013 £000
395	Opening balance	395
0	Additions	0
0	Disposals	0
0	Net increase in market value	59
0	Other changes in fair value	0
395	**Closing balance**	**454**

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

16. Financial Instruments

16a. Financial Instruments – Classification

31-Mar-12				31-Mar-13		
Designated as fair value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised cost £000		Designated as fair value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised cost £000
			Financial assets			
112,838			Fixed Interest Securities	119,061		
621,289			Equities	744,493		
949,662			Pooled Investments	1,109,477		
274,311			Pooled Property	276,139		
169,839			Private equity	181,608		
2,462			Derivative contracts	1,537		
	48,436		Cash		44,837	
9,197			Other investment balances	9,354		
	46		Debtors		145	
2,139,598	**48,482**	**0**		**2,441,669**	**44,982**	**0**
			Financial liabilities			
-860			Derivative contracts	-8,805		
		-3,125	Creditors			-3,956
-7,271			Other Investment Balances	-8,675		
-8,131	**0**	**-3,125**		**-17,480**	**0**	**-3,956**
2,131,467	**48,482**	**-3,125**		**2,424,189**	**44,982**	**-3,956**

16b. Net Gains and Losses on Financial Instruments

31 March 12 £000		31 March 13 £000
	Financial assets	
34,296	Fair value through profit and loss	310,738
0	Loans and receivables	0
0	Financial liabilities measured at amortised cost	0
	Financial liabilities	
-44,370	Fair value through profit and loss	-78,118
0	Loans and receivables	0
0	Financial liabilities measured at amortised cost	0
-10,074	**Total**	**232,620**

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

0	Assets that are not Financial Instruments - Directly Held Property change in Market Value	**59**
-10,074		**232,679**

16c. Fair Value of Financial Instruments and Liabilities

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

16d. Valuation of Financial Instruments Carried at Fair Value

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

Level 1

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

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

Level 2

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

Level 3

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

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

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

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

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

Values at 31 March 2013	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets				
Financial assets at fair value through profit and loss	1,983,922	0	457,747	2,441,669
Loans and receivables	44,982	0	0	44,982
Total financial assets	**2,028,904**	**0**	**457,747**	**2,486,651**
Financial liabilities				
Fair value through profit and loss	-17,480	0	0	-17,480
Financial liabilities at amortised cost	-3,956	0	0	-3,956
Total financial liabilities	**-21,436**	**0**	**0**	**-21,436**
Net financial assets	**2,007,468**	**0**	**457,747**	**2,465,215**

Values at 31 March 2012	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets				
Financial assets at fair value through profit and loss	1,695,448	0	444,150	2,139,598
Loans and receivables	48,482	0	0	48,482
Total financial assets	**1,743,930**	**0**	**444,150**	**2,188,080**
Financial liabilities				
Fair value through profit and loss	-8,131	0	0	-8,131
Financial liabilities at amortised cost	-3,125	0	0	-3,125
Total financial liabilities	**-11,256**	**0**	**0**	**-11,256**
Net financial assets	**1,732,674**	**0**	**444,150**	**2,176,824**

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 2013-14 reporting period:

Asset Type	Potential Market Movements (+/-) %
UK Bonds including pooled	6.20
Overseas Bonds including pooled	4.38
UK Equities including pooled	13.09
Overseas Equities including pooled	12.96
Index Linked Gilts including pooled	8.28
Property Investments (pooled and direct)	2.72
Private Equity	9.24
Cash and Cash Equivalents (Including Payables and Receivables)	0.02
Total	**7.66***

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

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

Asset Type	Value as at 31 March 2012 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash and Cash Equivalents including payables and receivables	40,286	0.0	40,286	40,286
Investment Portfolio Assets:				
UK Equities including pooled	427,924	14.8	491,085	364,762
Overseas Equities including pooled	817,631	15.2	941,912	693,352
UK Bonds including pooled	109,016	7.5	117,214	100,818
Overseas Bonds including pooled	286,547	6.1	304,141	268,953
Index Linked Gilts including pooled	42,568	7.7	45,863	39,273
Pooled & Direct Property Investments	274,706	5.8	290,501	258,910
Private Equity Partnerships	169,839	10.4	187,485	152,192
Total Assets Available to Pay Benefits	**2,168,517**		**2,418,487**	**1,918,546**

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 2013 and 31 March 2012 is set out below. These disclosures present interest rate risk based on the underlying financial assets:

Asset Type	Value as at 31 March 2013 £000	Value as at 31 March 2012 £000
Investment Cash Balances	40,376	42,908
Cash in hand	4,461	5,528
Total	44,837	48,436

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 2013 £000	Change in year in the net assets available to pay benefits +100 BPS £000	-100 BPS £000
Investment Cash Balances	40,376	404	-404
Cash in hand	4,461	45	-45
	44,837	**449**	**-449**

Currency Risk

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

Currency Risk Sensitivity Analysis

Following analysis of historical data in consultation with the Fund's performance measurers, the council considers the likely annualised volatility associated with foreign exchange movements to be 2.31% in respect of non-sterling assets including those partially hedged to Sterling but excluding those where full hedging is in place (see note 15b).

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

A 2.31% 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 2013 £000	Change to net assets available to pay benefits +2.31 % £000	-2.31 % £000
Overseas Equities (including pooled equity funds where underlying assets are non-Sterling denominated)	982,167	22,688	-22,688
Private Equity	181,608	4,195	-4,195
Change in net assets available to pay benefits		**26,883**	**-26,883**

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.

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

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

The credit exposure was as follows:

Summary	Short term Rating (S&P) 31st March 2013	Balances at 31 March 2013 £000	Short term Rating (S&P) 31st March 2012	Balances at 31 March 2012 £000
Debt Management Office			No short term rating but long term AAA	3,417
Bank Deposit Accounts				
Barclays Bank PLC	A-1	2,127		
Lloyds TSB	A-1	2,127		
Santander			A-1	1,226
Natwest			A-1	701
Bank Current Accounts				
Co-op Bank	Not rated by S&P – Fitch F2	50	Not rated by S&P – Fitch F2	326
Total		**4,304**		**5,670**

The majority of investment cash within the custody system (Northern Trust) is swept overnight to the AAA rated constant NAV money market funds of the custodian and one other provider (Deutsche). The credit exposure on investment cash balances at 31 March 2013 comprise £36.4 million (£40.7 million) deposited with AAA rated money market funds, £0.9 million (£0.6 million) deposited direct with the custodian Northern Trust (rated A-1), £3.1 million (£1.6 million) posted to a variation margin account held by Barclays Bank (rated A-1).

c. Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the pension fund has adequate cash resources to meet its commitments.

The council has immediate access to its pension fund cash holdings, there were no deposits with fixed periods at 31 March 2013 (2012 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 2013 £000	Percentage of Total Fund Assets %	Balances at 31 March 2012 £000	Percentage of Total Fund Assets %
458,201	18.6	444,545	20.1

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 2013 are due within one year.

Refinancing Risk

The key risk is that the council will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The council does not have any financial instruments that have a refinancing risk as part of its treasury and investment strategies.

18. Funding Arrangements

In line with the Local Government Pension Scheme (Administration) Regulations 2008, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2010. The valuation at 31 March 2013 is underway.

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 as stable as possible
- adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of approximately 20 years and to provide stability in employer contribution rates where prudently possible. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet the expected future pension benefits payable.

When an employer's funding level is less than 100% of the funding target (full solvency), then a deficit recovery plan will be put in place requiring additional contributions from the employer to meet the shortfall.

	Funded %	Deficit £ millions
2010 actuarial valuation	80%	486
2007 actuarial valuation	93%	150

The common contribution rate is 22.4% of payroll (2007 17.2%). The employer contribution rates payable (plus cash sums as applicable) arising from the 2010 Valuation are as follows:

Year	Employers Contribution Rates (% of pensionable payroll)
1 April 2011 to 31 March 2012	Range from 8.0 to 25.0
1 April 2012 to 31 March 2013	Range from 8.0 to 25.0
1 April 2013 to 31 March 2014	Range from 13.0 to 25.0

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 2010 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 2010

Investment Return (discount rate)	% per annum Nominal	% per annum Real
Discount Rate	6.1%	2.8%
Salary Increases*	5.3%	2.0%
Price Inflation/Pension Increases	3.3%	-

*plus an allowance for promotional pay increases. Short term pay growth was assumed to be 1% per annum for 2010-11, 2011-12 and 2012-13 reverting to 5.3% per annum thereafter.

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. Longevity improvements were in line with standard PXA92 year of birth mortality tables, with medium cohort projections and a 1% per annum underpin effective from 2007. These assumptions are used to calculate average future life expectancies at age 65 as follows:

Mortality assumption at age 65	Male	Female
Current Pensioners	21.2 years	23.4 years
Future Pensioners (current age 45)	23.6 years	25.8 years

Commutation Assumption

It is assumed that future retirees will take 50% of the maximum additional tax-free lump sum up to HMRC limits for pre-April 2008 service and 75% of the maximum for post-April 2008 service.

19. Actuarial Present Value of Promised Retirement Benefits

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

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

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

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

	31 March 2013 £000	31 March 2012 £000
Actuarial present value of promised retirement benefits	3,563,000	2,985,000

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

Assumptions Used	%
Inflation/Pension Increase Rate Assumption	2.8
Salary Increase Rate	5.1*
Discount Rate	4.5

* Salary increases are assumed to be 1% per annum nominal for the three years to 31 March 2015 reverting to the long term rate thereafter.

20. Current Assets

31 March 2012 £000		31 March 2013 £000
	Cash In Hand	
5,528	Cash In Hand	4,461
	Debtors:	
2,234	Contributions due - employees*	2,097
6,013	Contributions due - employers*	6,462
1,404	Employers special contributions	24
1,642	Augmentation & strain due	1,104
5,195	Dividends receivable	5,772
1,031	Pooled funds rebate due	1,190
94	UK tax receivable	225
584	Overseas tax receivable	662
198	VAT refund due	216
13	Interest due	15
14	Stock lending/commission recapture	13
28	Recharge of fees**	130
53	Prepayments	3
18	Sundry **	15
18,521	**Debtors**	**17,928**
24,049	**Current Assets**	**22,389**

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

**Debtors classed as financial assets note 16a

31 March 2012 £000		31 March 2013 £000
	Long term debtors:	
9,550	Employer contributions	8,742
7	Augmentation & strain due	6
9,557		**8,748**

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

Analysis of Debtors

31 March 2012 £000		31 March 2013 £000
11,834	Central government bodies	9,608
6,086	Other local authorities	6,597
10,158	Other entities and individuals	10,471
28,078		**26,676**

21. Current Liabilities

31 March 2012 £000		31 March 2013 £000
	Creditors:	
46	Transfer values payable (leavers)	28
542	Benefits payable	1,104
1,392	Investment Management Fees**	2,149
1,729	Other Fees & Charges**	1,804
799	UK Taxation payable	863
4	Sundry creditors**	3
4,512		**5,951**

**Creditors classed as financial liabilities note 16a

Analysis of Creditors

31 March 2012 £000		31 March 2013 £000
803	Central government bodies	865
1,664	Other local authorities	1,721
2,045	Other entities and individuals	3,365
4,512		**5,951**

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 2012 £000		Market Value 31 March 2013 £000
4,856	Separately Invested AVC Funds	4,874

2011-12 £000		2012-13 £000
318	AVC contributions paid directly during the year	311

23. Related Party Transactions

Norfolk County Council

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

The council incurred costs in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The council is also the single largest employer of members in the pension fund.

	2011-12 £000	2012-13 £000
Norfolk County Council incurred administration and Investments costs reimbursed by the Fund	1,663	1,721
Norfolk County Council Employer Contributions	36,564	36,388

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.

	2011-12 £000	2012-13 £000
Average investment balance held by NCC Treasury Management Operation	9,238	7,692
Interest earned on balances invested by NCC Treasury Management Operation	73	67

Governance

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

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

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

The Administering Authority (Norfolk County Council) disclosure of senior officer remuneration includes the Head of Finance who has responsibility under S151 of the Local Government Act 1972, for the proper financial administration of the Fund and holds the role of Fund Administrator. The following table sets out the senior officer remuneration disclosure.

Remuneration is deemed to include:

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

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

Position & Postholder		Salary	Expenses Allowances	Sub Total	Employer Pension contributions	Total
Head of Finance	2012-13	£116,000	£400	**£116,400**	£18,000	**£134,400**
(P Brittain)	2011-12	£112,600	£2,300	**£114,900**	£17,500	**£132,400**

24. Contractual Commitments

Outstanding Capital Commitments	31 March 2012 £000	31 March 2013 £000
Private equity partnerships	88,836	79,919
Property investment vehicles	10,373	8,058

At 31 March 2013 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 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 2013 is included in the net asset statement.

In addition to the private equity commitments, within the Aviva property portfolio there are unfunded commitments to various property investment vehicles. This total includes Sterling, Euro and US Dollar denominated commitments to three (six in 2011-12) underlying funds. The foreign exchange exposure on the funded portion of these positions is hedged within the Aviva portfolio but the unfunded commitments are impacted by exchange rate volatility.

25. Contingent Assets

The Administering Authority holds charges on property and rights over sums held in escrow, relating to funding agreements put in place with three employers following the 2010 Valuation. These agreements allowed the employers to extend their deficit recovery periods and therefore reduce the contributions immediately payable in return for providing additional security to the Fund. In the event that the employers that are party to these agreements fail to pay contributions due to the Fund at any point in the future these charges may be invoked. The total on the escrow account at 31 March 2013 is nil (2012 £17,000). The total charges on two properties are £2.233 million (£2.232 million).

Appendices

Appendix I – Participating Employers

(Employers with active members during the year)

Major Scheduled & Resolution Bodies

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

Scheduled and Resolution Bodies

- Acle Academy
- Acle Parish Council
- Admirals
- Attleborough Town Council
- Aylmerton Parish Council
- Aylsham Town Council
- Beighton PC
- Belton with Browston Parish Council
- Bradwell Parish Council
- Broads (2006) I D B
- Broads Authority
- Brundall Parish Council
- Buxton with Lamas Parish Council
- Cawston Parish Council
- City Academy Norwich
- City College Norwich
- College of West Anglia
- Costessey Junior School
- Costessey Parish Council
- Cringleford Parish Council
- Cromer Academy Trust
- Cromer Town Council
- Dereham Town Council
- Dersingham Parish Council
- Diamond Academy
- Diss High School Academy
- Diss Town Council
- Downham & Stow Bardolf I D B
- Downham Market Town Council
- East Norfolk Sixth Form College
- East of Ouse, Polver & Nar I D B
- Eastern Fisheries and Conservation Authority
- Easton and Otley College
- Eaton Hall Specialist Academy
- Fakenham Town Council
- Flegg High School
- Framingham Earl Parish Council
- Great Yarmouth College of FE
- Great Yarmouth Primary Academy
- GYB Services Ltd
- Hales & Heckingham Parish Council
- Hellesdon High School Academy
- Hellesdon Parish Council
- Hindolveston PC
- Hobart High School Academy
- Holt Town Council

- Hunstanton Town Council
- Kettlestone Parish Council
- King’s Lynn I D B (KLIDB & WMA)
- Loddon Parish Council
- Martham Parish Council
- Mattishall Parish Council
- NCS (Assistive Technology)
- Norfolk Educational Services (NES)
- Norse Care Limited
- Norse Commercial Services
- North Walsham Town Council
- Norwich Norse
- Notre Dame High School Academy
- NPS (Norwich) Ltd
- NPS (South West) Ltd
- Open Academy – Heartsease
- Ormiston Victory Academy
- Poringland Parish Council
- Reepham High School and College
- Sheringham High School Academy
- Southery & District I D B
- Springwood High School Academy Trust
- St Mary’s C of E Junior School Academy
- Swaffham Town Council
- Taverham Parish Council
- The Nicholas Hamond Academy
- Thetford Town Council
- Trowse with Newton Parish Council
- Wayland High School Academy
- Winterton-on-Sea Parish Council
- Wymondham High School Academy
- Iceni Academy
- King’s Lynn Academy
- Little Snoring Parish Council
- Lynn Grove High School Academy
- Martham School Trust
- Mundesley Parish Council
- NCS Transport Ltd
- Norfolk Rivers I D B
- Norse Care Services
- Norse Eastern
- Northrepps Parish Council
- Norwich University College of the Arts
- NPS (London) Ltd
- NPS (South East) Ltd
- Old Catton Parish Council
- Ormiston Venture Academy
- Paston College
- Redenhall with Harleston Town Council
- Saxlingham Nethergate PC
- South Wooton Parish Council
- Spixworth Parish Council
- Sprowston Town Council
- Suffolk Coastal Services
- Swanton Morley Parish Council
- The Free School Norwich
- Thetford Academy
- Thorpe St Andrew Town Council
- Upton with Fishley P C
- Wells-Next-The Sea Town Council
- Wymondham College Academy
- Wymondham Town Council

Admitted Bodies

- 4Children
- Action for Children (Hethersett)
- Action for Children (Wells)
- Anglia Maintenance Services
- Childhood First
- Circle Care and Support
- Edwards and Blake
- Freebridge Community Housing Ltd
- Great Yarmouth Port Authority
- Great Yarmouth Racecourse Ltd
- Kier Support Services
- New Anglia Enterprise Council Partnership (LEP)
- Norfolk Community Alcohol Services (NORCAS)
- Norwich Airport Limited
- RM Education
- Serco Government Services
- Victory Housing Trust
- Action for Children (Dereham)
- Action for Children (Thorpe)
- Age UK Norfolk
- Biffa Municipal Ltd
- Circle Anglia Limited
- Dereham, Watton & Holt CAB
- Flagship Housing Group
- Great Yarmouth Community Trust
- Great Yarmouth Port Company
- Gt Yarmouth Sport & Leisure Trust
- May Gurney Limited
- Norfolk Association of Local Councils
- Norfolk Heritage Fleet Trust
- Ormiston Children and Families Trust
- Saffron Housing Trust Limited
- Stonham

Appendix II – Disclosure Regulations

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

Pensions Registry

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

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

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

Statement of Investment Principles and Funding Strategy Statement

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

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

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

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

Norfolk Pension Fund
Floor 4 Lawrence House
5 St Andrews Hill
Norwich
NR2 1AD

Telephone: 01603 222995

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 144 other bodies who actively participate in the Scheme.

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

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

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

Appendix IV – Governance Compliance Statement

The Norfolk Pension Fund Governance Compliance Statement as at August 2013
Local Government Pension Scheme (Administration) Regulations 2008 (as amended) Regulation 31

Principle A – Structure

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

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

b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.
In addition to the Norfolk County Council members, 2 district councillors elected by the Local Government Association represent the largest group of employers; an additional observer seat is available to all other employers. Scheme members (including active, deferred and retired) are represented at Committee by the Staff Representative.

c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.
There is no formal secondary committee or panel. Regular employers' forums and other activities detailed within the communication strategy ensure effective communication.

d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.
No formal secondary committee or panel has been established. However employers are regularly reminded via the Employers' Forum and Employers newsletters of the observer seat at Committee. Scheme members are reminded that they can observe committee meetings via the annual "Your Pension" booklet and also at the Annual Meeting. Some Committee Members also attend Employer Forum meetings.

Principle B – Representation

	Not compliant*		Fully compliant		
a)I					√
II					√
III					√
IV					√

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

   I. Employing authorities (including non scheme employers, e.g. admitted bodies)
   Two district councillors elected by the Local Government Association represent the largest group of employers. An additional observer is seat available to all other employers.

   II. Scheme members (including deferred and pensioner scheme members)
   Scheme members (including active, deferred and retired) are represented at Committee by the Staff Representative. Scheme members are reminded that they can observe committee meetings via the annual "Your Pension" booklet and also at the Annual Meeting.

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

   IV. Expert advisors (on an ad-hoc basis)
   Expert advisors are invited to attend committee as and when necessary.

Principle C – Selection and role of lay members

	Not compliant*		Fully compliant		
a)					√
b)					√

a) That committee or panel members are made fully aware of the status, role and function that they are required to perform on either a main or secondary committee.
In addition to general Councillor Induction for newly elected members, Pensions Committee members are briefed on appointment to Pensions Committee by the Head of Pensions. Other elected members who do not sit on Pensions Committee are briefed as required / requested.

b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.
This is a standing agenda item for each committee meeting.

Principle D – Voting

	Not compliant*		Fully compliant		
a)					√

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

Principle E – Training / facility time / expenses

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

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

b) That where such a policy exists it applies equally to all members of committees, sub-committees, advisory panels or any form of secondary forum.
We give the same allowances to other individuals / bodies where necessary, for example the Staff Representative.

c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.
Committee member training needs are considered alongside the 12 month committee agenda planning process. However training is business driven, and therefore the programme is flexible. This allows us to align training most effectively with operational need / current agenda items, and therefore support member decision making. Member training is supplemented by attending LGE and other associated events, as well as an annual comprehensive 2 day bespoke Knowledge and Understanding event, talking to leading experts about all aspects of LGPS Investment and Governance and current issues, e.g. in 2012 this included meeting the Fund's Actuary, Hymans Robertson, to discuss the outlook for the 2013 valuation; Nomura to discuss transition management; Fidelity regarding corporate

governance and stakeholder responsibilities; Goldman Sachs to discuss 'excellence in pensions'; Hendersons for an overview of fixed interest investing; and DCLG to discuss LGPS 2014 and other issues. A Training Log is maintained.

Principle F – Meetings (frequency / quorum)

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

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

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

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

Principle G – Access

	Not compliant*		Fully compliant		
a)					√

a) That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.
All committee members have equal access to committee papers, documents and advice. Minutes of Committee Meetings are published on Norfolk County Councils website www.norfolk.gov.uk.

Principle H – Scope

	Not compliant*		Fully compliant		
a)					√

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

Principle I – Publicity

	Not compliant*		Fully compliant		
a)					√

a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements.
The Norfolk Pension Fund's Governance Statement and Communication and Customer Care Strategy are published on the Fund's website www.norfolkpensionfund.org, and included within the Pension Fund Annual Report (which is also published on our website), with hard copies of each available on request. Employers are reminded via the Employers Forum and Employers Newsletters that there is an observer seat at Committee for Employers not directly represented. Scheme Members receive an annual booklet with news of the Fund's performance, legislative changes and other relevant pension's news, and are invited to a formal annual meeting. Retired members are invited to the annual retired members' events, and also receive an annual newsletter.

Appendix V – Actuarial Statement for 2012-13 by Hymans Robertson LLP

This statement has been prepared in accordance with Regulation 34(1) (d) of the Local Government Pension Scheme (Administration) Regulations 2008, and Chapter 6 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2012/13.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), effective from 31 March 2011. In summary, the key funding principles are as follows:

- To ensure the long-term solvency of the Fund (and of the sections of the Fund attributable to individual employers);
- To ensure that sufficient monies are available to meet all benefits as they fall due for payment;
- To maximise the returns from investments within reasonable and considered risk parameters;
- To help employers recognise and manage their pension liabilities as they accrue;
- To minimise the degree of short-term change to the level of each employer's contributions where the Administering Authority considers it reasonable to do so;
- To use reasonable measures to reduce the risk to other Fund employers and ultimately the Council Tax payer from a scheme employer defaulting on its pension obligations, and
- To address the different characteristics of different employer and groups of employers to the extent that this is practical and cost-effective.

The FSS sets out how the administering authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised below the theoretical rate required to return their portion of the Fund to full funding over the recovery period if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still a sufficiently high likelihood that the Fund will return to full funding over 21 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2010. This valuation revealed that the Fund's assets, which at 31 March 2010 were valued at £1,936 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 2010 valuation was £486 million.

Individual employers' contributions for the period 1 April 2011 to 31 March 2014 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 my valuation report dated 31 March 2011.

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 2010 valuation were as follows:

Financial assumptions	31 March 2010	
	% p.a. Nominal	% p.a. Real
Discount rate	6.1%	2.7%
Pay increases *	5.3%	0.8%
Price inflation/Pension increases	3.3%	-

* plus an allowance for promotional pay increases. Short term pay growth was assumed to be 1% p.a. for 2010/11, 2011/12 and 2012/13, reverting to 5.3% p.a. thereafter.

The key demographic assumption was the allowance made for longevity. As a member of Club Vita, the baseline longevity assumptions adopted at this valuation were a bespoke set of VitaCurves that were specifically tailored to fit the membership profile of the Fund. Longevity improvements were in line with standard PXA92 year of birth mortality tables; with medium cohort projections and a 1% p.a. underpin effective from 2007. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.2 years	23.4 years
Future Pensioners*	23.6 years	25.8 years

*figures assume members aged 45 as at 31 March 2010.

Copies of the 2010 valuation report and Funding Strategy Statement are available on request from Norfolk County Council, administering authority to the Fund.

Experience over the period since April 2010

The funding level is likely to have worsened since the latest formal funding valuation.

There have been significant falls in Government bond yields and market expectations for long term inflation. The drop in bond yields is greater than the decrease in inflation expectations. The result is a decrease to the discount rate net of inflation which places a higher value on the liabilities.

Although total investment returns since the latest formal funding valuation have been higher than the long term assumption made at the 2010 valuation, this would only partially offset the impact the lower net discount rate has on the deficit.

The next actuarial valuation will be carried out as at 31 March 2013. The Funding Strategy Statement will also be reviewed at that time.

Gemma Sefton
Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP
22 May 2013

Hymans Robertson LLP
20 Waterloo Street
Glasgow
G2 6DB

Appendix VI – Glossary

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

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

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

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

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

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

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 most of a member's pension benefits and is normally their pay in the last year before they retire, or one of the previous two years' pay if that amount is higher. For a part-time employee, the figure used is normally the pay they would have received had they worked whole time.

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.

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.